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**Recommodification, policy convergence and individual choice: an exploration of active ageing policies in EU15 (1995-2005)**

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**Recommodification, policy convergence and individual  
choice: an exploration of active ageing policies in EU15  
(1995-2005).**

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**A thesis submitted for the degree of Doctor of Philosophy**

**University of Bath**

**Department of Social and Policy Sciences**

**September 2009**

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## **Abstract**

Recommodification, policy convergence and individual choice: an exploration of active ageing policies in EU15 (1995-2005).

This PhD thesis addresses three questions. First, to what extent was the EU's vision of 'active ageing' adopted in EU15 nations between 1995 and 2005? Second, what was the nature of policy reforms in these nations over this time period? Finally, which sub-groups within the older age cohort (here defined as between 50-74)<sup>1</sup> were subject to active ageing policies in these countries? The methodology employed was cross-national policy analysis of EU15 nations' policies for employment and retirement, encompassing the retention and re-engagement of older individuals in the labour market. The policy areas included are unemployment benefits, active labour market policies, state pension ages, early retirement routes and incentives for the deferral of pension receipt, in line with the EU targets and guidelines regarding 'active ageing'. In addition, model biographies (divided according to age and contribution records) were employed to address the differential policy treatment of individuals within the older age cohort in terms of the various eligibility criteria and policy options available over the ten year period.

The data indicates that though EU15 nations have made progress towards the EU policy prescriptions for active ageing, there is variation in a number of respects. First, nations differed in terms of their policy contexts, and as a result had lesser or greater distances to travel towards the EU vision of active ageing. Second, and related, these policy contexts to a degree directed subsequent national reforms and retrenchment, thus resulting in different policy approaches. Finally, at the micro-level, there is variation with regard to the policy treatment of individuals within the age cohort in EU15 nations. As a result, the active ageing policy logic is applied to older individuals differently.

In terms of its contributions to knowledge, this thesis therefore provides more nuanced accounts of both the recommodification and reserve army of labour literatures. The recommodification of labour argument suggests that nations are moving away from decommodifying welfare arrangements to focus on the recommodification of labour yet the data demonstrate a great deal of variation in EU15 nations, in terms of their original policies for decommodification, their subsequent retrenchment and the type of policies introduced that recommodify labour. With regard to the reserve army of labour literature, the shift towards active ageing policies is part of a cyclical process whereby older workers are drawn into and ejected from the labour markets in periods of low and high unemployment respectively. The data however indicate that as the political economy of ageing literature suggests, ageing is not a homogenous experience and differential policy treatment within age cohorts maintains and exacerbates divergence at the micro level. Thus whilst the recommodification and reserve army of labour literatures suggest *all* individuals are being drawn into the labour market, the data emphasises differences at the micro level in terms of policy treatment, in line with the political economy of ageing literature.

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<sup>1</sup> An explanation of the use of this term and age category is included in Chapter 1.

## Abbreviations

<b>ACA</b>	<i>Allocation Chômeurs Âgés</i> (Older Unemployed Compensation [France])
<b>ACC</b>	Solidarity gradual preretirement contracts (France)
<b>ADE</b>	<i>Aide dé à l'employeur</i> (Degressive Employer's Subsidy [France])
<b>AER</b>	<i>Allocation équivalent retraite</i> (Retirement Equivalent Benefit [France])
<b>AGIRC</b>	<i>Association Générale des Institutions de Retraite des Cadres</i> (General Association of Retirement Institutions for Cadres [France])
<b>AMS</b>	<i>Arbeitsmarktservice</i> (Austrian public employment service)
<b>AMFG</b>	<i>Arbeitsmarktförderungsgetz</i> (Austrian Labour Market Promotion Act)
<b>AMSG</b>	<i>Arbeitsmarktservicegesetz</i> (Austrian Public Employment Service Act)
<b>ARPE</b>	<i>L'Allocation de Remplacement Pour l'Emploi</i> (Combined early retirement/hiring scheme, also known as <i>mise à la retraite</i> [France])
<b>ARRCO</b>	<i>Association pour le Régime de Retraite Complémentaire des salaires</i> (Private Association of Complementary Retirement Systems [France])
<b>ASA</b>	<i>Allocation Spécifique d'Attente</i> (specific allocation of waiting [France])
<b>ASFNE</b>	<i>Allocation spéciale du Fonds national de l'emploi</i> (Special National Employment Fund Allowance [France])
<b>ASS</b>	<i>Allocation de solidarité spécifique</i> (Specific Assistance Allowance [France])
<b>ASSEDIC</b>	<i>Association pour l'emploi dans l'industrie et le commerce</i> (Unemployment Insurance Fund [France])
<b>ASVG</b>	<i>Allgemeines Sozialversicherungsgesetz</i> (Austrian General Social Insurance Act)
<b>ATP</b>	<i>Arbejdsmarkedets tillægspension</i> (Supplementary Pension [Denmark])/ <i>tillægspension</i> (Supplementary Pension [Sweden])
<b>CAATA</b>	<i>Cessation Anticipée d'Activité des Travailleurs de l'Amiant</i> (Early withdrawal for workers who were exposed to asbestos [France])
<b>CAE</b>	<i>Contrats d'accompagnement dans l'emploi</i> (Accompanying Contracts of Employment [France])
<b>CATS</b>	<i>Certains Travailleurs Salaries</i> (early retirement scheme for employees [France])
<b>CES</b>	<i>Contrat Emploi Solidarité</i> (Employment solidarity contract [France])
<b>CFA</b>	<i>Congé de Fin d'Activité</i> (end of employment leave [France])
<b>CIE</b>	<i>Contrat d'Initiative Emploi</i> (Contract employment initiative [France])
<b>CIG</b>	<i>Cassa Integrazione Guadagni</i> (wage guarantee fund [Italy])
<b>CPA</b>	<i>Cessation Progressive d'Activité</i> (Phased-in retirement [France])
<b>CRE</b>	<i>Contrat de Retour à l'Emploi</i> (Contract back-to-work [France])
<b>DIF</b>	<i>Droit Individuel à la Formation</i> (individual right to training [France])
<b>DRE</b>	<i>Dispense de Recherche d'Emploi</i> (Exemption from job search [France])

<b>EES</b>	European Employment Strategy
<b>EU</b>	European Union
<b>FNE</b>	<i>Fonds National pour l'Emploi</i> (National Employment Fund [France])
<b>KWNS</b>	Keynesian Welfare National State (Jessop, 1994, 1997, 1999, 2001)
<b>LAEK</b>	<i>Λογαριασμός για την Απασχόληση και την Επαγγελματική Κατάρτιση</i> (Employment and Vocational Training Fund [Greece])
<b>MISSOC</b>	Mutual Information System on Social Protection
<b>NAP</b>	National Action Plan
<b>ND50+</b>	<i>New Deal for the 50+</i> (UK)
<b>OAED</b>	<i>Οργανισμός Απασχολήσεως Εργατικού Δυναμικού</i> (Manpower Employment Organisation [Greece])
<b>OECD</b>	Organisation for Economic Cooperation and Development
<b>OMC</b>	Open Method of Co-ordination
<b>PAP</b>	<i>Plan d'action personnalise</i> (Personalised Action Plan [France]).
<b>PAP-ND</b>	<i>Programme d'Action Personnalise pour un Nouveau Depart</i> (Personalised Action Plan for a New Start [France])
<b>PARE</b>	<i>Plan d'Aide au Retour à l'Emploi</i> ('return-to-work action plan' [France])
<b>PAYG</b>	Pay-as-you-go
<b>PRETA</b>	Pre-Retirement Allowance (Ireland)
<b>PRP</b>	<i>Préretraite Progressive</i> (gradual retirement [France])
<b>PRSI</b>	Pay Related Social Insurance (Ireland)
<b>RGAVTS</b>	<i>Régime général d'assurance vieillesse des travailleurs salariés</i> (General Scheme for Employees [France])
<b>RMI</b>	<i>Revenu Minimum d'Insertion</i> (minimum income support allocations [France])
<b>SWPR</b>	Schumpeterian Workfare Postnational Regime (Jessop, 1994, 1997, 1999, 2001)
<b>UNEDIC</b>	<i>Union Nationale pour l'Emploi dans l'Industrie et le Commerce</i> (Unemployment administration [France])
<b>VAE</b>	<i>Validation des Acquis de l'Expérience</i> (Validation of Learning Through Experience [France])
<b>VERP</b>	<i>Efterløn</i> (Voluntary Early Retirement Pension [Denmark])
<b>VUT</b>	<i>Vervroegde Uittreding</i> (early retirement pension [Netherlands])
<b>WAO</b>	<i>Wet op de Arbeidsongeschiktheidsverzekering</i> (occupational disability programme [Netherlands])
<b>WHO</b>	World Health Organisation
<b>WW</b>	<i>Werkloosheidswet</i> (unemployment benefits [Netherlands])

## Chapter 1 Introduction

This thesis addresses EU15 nations' policies for employment and retirement first in terms of the degree to which they emulate the EU-vision of active ageing, and second, the nature of the reforms taken over the period of 1995 to 2005, and finally, the way these policy packages varied for different groups of individuals within the older age cohort (here defined as those aged 50-74<sup>2</sup>). This 'older age' cohort is formed by "*fusing together the later part of non-old adulthood and the active younger part of old age*" (Bytheway, 1995: 20). However, this definition is contested. Bytheway argues it is defined statically as those aged 50 to 74, whereas the European Union defines older workers as either as those aged 45 to 64 in its documents (Committee of the Regions, 2003) or as those aged 55-64 when setting targets for its member states (e.g. those of Barcelona and Stockholm). Researchers, Taylor (2006: 3) argues "tend to view people aged 50 years and over as 'older' based on a sharp decline in labour force participation rates after this age. However, it is clear that what is defined as 'old' varies markedly between industrial sectors and occupational groups. It is also sometimes argued that women are considered

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<sup>2</sup> I do not however employ the 'third age' term due to its contested nature. The term 'third age' is of French origin, established with the creation of *les Universites du Troisieme Age* in the 1970s and was adopted in the UK with the establishment of the first British Universities of the Third Age in the summer of 1981 (Laslett, 1987). For Laslett the term refers to the third stage of life, the first being the period of socialisation, education and dependency; the second focused on work and child-rearing; the third marking the end of work and the increase in leisure time; and the forth is the period of dependence and decline (Laslett, 1987 and Midwinter, 2005). Laslett has been critiqued for his 'aspirational' approach to post-work life (Gilleard and Higgs, 2002; Ginn and Arber, 1995). Indeed, he has been critiqued for implying the third age represents a homogenous experience whilst Hunt (2005) argues individuals in this cohort can be divided into 'haves' and 'have nots', and for the latter, this stage of life does not represent a period of leisure. Ginn and Arber (1995: 8) argue Laslett's conception of the third age "is essentially a bourgeois option, unavailable to those who have low incomes and poor health". Gilleard and Higgs however argue that the definition of third age should not focus on class. Instead this group has emerged as a 'generation' in that there was "a shared temporal location (i.e. generational site or birth cohort), shared historical location (i.e. generation as actuality - exposure to a common period or era), and finally a shared socio-cultural location (i.e. generational consciousness - or 'entelechy')" (Gilleard and Higgs, 2002: 373). Yet perhaps the most important reason for not employing this term in this thesis, aside from the fact that it is a contested concept, is that it is argued this 'passive' old age focused on leisure is now being replaced by active ageing (Evers and Wolf, 1999). As the shift towards the active ageing agenda is the topic of the thesis, perhaps it is contradictory to use the term 'third age' due to its association with a period of leisure, post-working life.

by employers as ‘old’ at younger ages than men”. This thesis takes a synthesis of these perspectives to focus on policies in EU15 nations aimed at those aged 50-74, as this allowed for the examination of both specialist reforms aimed at reintegrating unemployed individuals over the age of 50, as well as those designed to encourage individuals to work beyond the state pension age, thus reflecting the Barcelona and Stockholm targets respectively. Data from the Eurobarometer survey also found that individuals themselves favour either this term or ‘senior citizens’ (Walker and Maltby, 1997).

As a result of the three aforementioned research foci, the approach taken by this thesis is dynamic in that the character of reforms over the period of 1995 to 2005 is considered, as well as the final policy pictures. In addition, the effect of these reforms on the policy options available to the older age cohort is included, thereby combining both a macro- and micro-approach. Therefore there are three research questions. First, are all nations converging towards the EU-vision of active ageing? Second, what was the nature of reforms undertaken in these nations over this time period? Third, are all individuals within the category of ‘older age’ equally subject to active ageing policies? Based on these, the following connected research aims are included:

- to examine the adoption of ‘active ageing’ policies in EU15 nations - *the spatial-temporal element*;
- to examine the character of the policy changes over time (1995 to 2005)- *the historical-dynamic element*;
- to address whether specific groups within the older age cohort are treated differentially by these policies in these nations over this time period- *the normative element*.

With regard to the rationale behind this thesis, increased longevity and declining fertility are creating concerns about the sustainability of current welfare arrangements. ‘Active ageing’ policies have been presented as a potential panacea for the conflict many argue will be produced by the numeric imbalance between young and old. The active ageing agenda is situated both in the context of fears around intergenerational conflict and as part of a broader shift towards activation-based welfare policies. Nations throughout

Europe have, to varying extents, witnessed an increased emphasis on activation/workfare-based social policies, as part of what Jessop (1994, 1997, 1999, 2002) terms a shift in state intervention from the Keynesian Welfare National State (KWNS) model to the Schumpeterian Post-National Workfare Regime (SWPR). This shift signifies the decline of welfare arrangements providing the decommodification of labour and the subsequent rise of policies for recommodification. When initially conceived, active labour market policies (ALMPs) focused on young unemployed individuals. However, as time has progressed, new groups of formerly ‘deserving’ welfare recipients have increasingly felt the carrots and sticks of ALMPs. New activation policies focusing on lone parents, disabled individuals and those over 50 years of age have emerged, all emphasising the merits of, and duty to, engage in paid work. The following chapter explores the commodification, decommodification and recommodification of labour.

With regard to the second literature review chapter, the focus narrows to address issues around ageing, activity and passivity. For Walker (1996a: 2), at the macro level, intergenerational solidarity has been institutionalised by welfare state arrangements in that transfers between generations have “encouraged the expectation of reciprocity”. However, as a result of the shift towards the recommodification of labour and the active ageing agenda, the contract between the generations is being recalibrated, with older individuals encouraged to secure their own welfare, either by engaging in paid labour or through purchase on the market (Carmel et al., 2007). The EU has advocated an active ageing agenda that focuses on labour market participation yet the rate, type and target groups within the older age cohort vary in different member states. The policy legacies of EU15 nations provide different environments for active ageing policies and subsequent reforms. Indeed, there was variation in the degree to which the decommodification of this age group was previously encouraged by policy, which meant that some EU15 nations had greater distances to travel in order to implement the EU’s active ageing model.

In addition, the older age cohort is not a homogenous group, interacting with the state in the same way in terms of inputs and outcomes. The political economy of ageing literature emphasises the role social structures, particularly the state, have on the

experience of ageing. Though ageing is a biological fact, many of the social facets are constructions and are experienced differently by the various sub-groups that make up a particular cohort. The experience of ageing is filtered through other individual characteristics, such as gender, class and ethnicity, and how differential treatment according to these characteristics is carried through the lifecourse (Carr and Sheridan 2001; Estes 1991b; Heinz 2001; Phillipson 2005). Particularly pertinent to this thesis is the notion that the experience of ageing is bound to the individual's labour market history, and therefore disadvantage and discrimination faced by different groups during their working lives are carried through into old age. As a result, this shift towards the recommodification of labour is not universally applied to all individuals within the older age cohort. As the data demonstrate, the 'activation' side of the intergenerational contract is enforced more for some groups within the older age cohort than others, thereby affecting intragenerational equity.

Following the literature review section, the fourth chapter presents the methodology employed to address the research questions and three aforementioned aims. In terms of the spatial-temporal and historical-dynamic aims, cross-national comparative policy analysis was utilised. The addition of 'time' as a focus prevented the research from capturing a static snapshot of policies at particular points as it also examined the *character* of reforms in these nations. From this data, convergence to the EU's model of active ageing was explored, in addition to the formation of distinct national or clusters of policy approaches and reform paths. The normative element employed model biographies to examine the degree of choice individuals in the older age cohort had vis-à-vis labour market participation, and thus whether particular groups were more subject to recommodification than others as well as the changes over the ten year period.

Chapter 5 presents the data from EU15 nations regarding their policies for employment and retirement over the ten year period before Chapter 6 provides a comparison and analysis. Chapter 7 outlines the model biography data and Chapter 8 brings both empirical elements together for an analytical discussion with reference to the literature from the first two chapters. Finally Chapter 9 provides the conclusion and the

possibilities for future work. The data demonstrate that though EU15 nations have adopted elements of the EU15's active ageing approach, there is a great deal of variation in the type and timing of reforms, in part influenced by policy legacies and contexts. Also, there is divergence both between and within nations with regard to their treatment of the older age cohort; not all individuals are equally subject to the active ageing agenda.



## **Chapter 2 The Move to Activation and the Recommodification of Labour**

This thesis addresses the extent to which there has emerged an increased onus on active labour market policies throughout Europe with specific reference to the older age cohort. The first of the literature review chapters examines this shift at the macro level, including arguments that a new focus on activation and workfare policies represents the recommodification of labour. Before addressing this argument, it is necessary to outline what is meant by the commodification and the subsequent decommodification of labour. The work of Jessop (1994, 1997, 2000, 2002) is used to explore the logic behind changes to state welfare arrangements, which is in turn evaluated. Indeed, the notion that there has been a macro shift across all nations is critiqued for eliding national policy contexts, and the impact they have on subsequent reform paths (Pierson, 1996; 2004). Nonetheless, it is argued that a transition away from decommodifying social policies would have implications for the relationships at the heart of welfare arrangements and the position of older age individuals within them. The second literature review chapter then narrows the focus to address issues around ageing, work and the state with reference to the European context.

### **2.1 The Commodification of Labour**

Polanyi (1944) argued the industrialisation of the nineteenth century prompted a departure from the traditional structure whereby the economic sphere was a function of the social sphere. Indeed, what took place was a role reversal with the social subordinated to the needs of the economy as “[a] market economy can only exist in a market society” (Polanyi, 1944: 71). This interconnectivity of state and market Polanyi refers to as ‘embeddedness’ and “[i]nstead of economy being embedded in social relations, social relations are embedded in the economic system” (Polanyi, 1944: 57).

Jessop also highlights the entwined relationship of states and markets. Jessop (1999) constructs four criteria of state intervention to ensure the survival of the capitalist

mode of production<sup>3</sup>, two of which apply specifically to commodification. First, an integral feature of capitalism includes the state's intervention in the market to secure conditions for profit; something the market itself is unable to procure (see also Block and Evans, 2005). Second, Jessop concurs with Polanyi's argument that land, labour and money<sup>4</sup> are fictitious commodities in that their value cannot be separated from their form, and thus the state must create and recreate labour power via social policy. For Esping-Andersen (1990), the pre-capitalist era was a period when labour was not commodified in that an individual's survival was not contingent upon the sale of their work. However, as markets became universal and hegemonic, individuals were dependent on the cash nexus and were thus commodified.

## **2.2 Decommodification: A Spatio-Temporal Fix**

Jessop's remaining criteria of state intervention in the market refer to the provision of 'decommodification'. Polanyi posited that a real self-regulating market is not conducive to society's survival in that "[s]uch an institution could not exist for any length of time without annihilating the human and natural substance of society; it would have physically destroyed man and transformed his surroundings to wilderness" (Polanyi, 1944: 3). Society's natural response is to protect itself from the ravages of the self-regulating market yet with such intervention the self-regulating market ceases to be such. Indeed, as workers compete as commodities, the price of labour depreciates and thus a system of decommodification is needed to prevent pauperism. Across Europe, various Poor Laws were instituted to safeguard against social unrest via provision for the poorest poor (Dean, 2006). However, the balance between the state's role in the commodification and decommodification of labour is problematic. Offe (1984) asserts capitalism and the welfare state present a paradox; a capitalist mode of accumulation necessitates some form

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<sup>3</sup> Jessop is also influenced by regulation theory which examines "how capitalism could survive even though the capital relation itself inevitably generated antagonisms and crises which made continuing accumulation improbable. They found an answer in specific institutional forms, societal norms, and patterns of strategic conduct which both expressed and regulated these conflicts until the inevitable tensions and divergencies among these various regulatory forms reached crisis point" (Jessop, 1988: 149).

<sup>4</sup> Block and Evans (2005: 505) concur, arguing labour is human activity; land is "nature divided into parcels" and money relies on the faith of governments to provide it with value.

of social protection to safeguard against the kind of deprivation that produces disorder yet at the same time, the expenditure required acts as a constraint and bestows power onto labour by allowing it to withdraw from the market.

Decommodification therefore is when the provision of welfare allows the individual to survive without recourse to the sale of their labour on the market. However, Esping-Andersen (1990) argues that the presence of social assistance does not necessarily result in decommodification. Social assistance must represent a positive choice, not as in the case of means-tested benefits whereby employment of any calibre may be preferable to the stigma attached to these transfers. As a result, the degree of decommodification is not absolute and varies nationally: “it is not all or nothing [...] the concept refers to the degree to which individuals, or families, can uphold a socially acceptable standard of living independently of market participation” (Esping-Andersen, 1990: 37). Thus the variation of welfare state arrangements results in different levels of decommodification with those systems that render social assistance as a right providing a high degree of decommodification whereas means or needs tests reduce the capacity for decommodification as the market is strengthened, with only those who cannot afford to do otherwise utilising state provision.

The third of Jessop’s criteria relates to the scale upon which economic and social policies are enacted, either locally, regionally, nationally or supra-nationally. Finally, the state determines the weight given to mechanisms utilised to ensure the profitability of capitalism and those that compensate in instances of market failure. In terms of the latter, the state plays a role in constructing the identities of its citizens within the civil society. These four elements can be termed the ‘mode of regulation’ and act as part of a ‘social fix’ “reproducing and regularizing capital as a social relation... compensat...[ing] for the incompleteness of the pure relation in specific contexts and gives it a specific dynamic through the articulation of its economic and extra economic elements” (Jessop, 2002: 48). Thus social fixes are integral for capital to manage its contradictions and occur when both the accumulation regime and mode of regulation co-evolve to produce a structural coherence. ‘Spatio-temporal fixes’ refer to the context within which the social fix takes

place and thus create the boundaries for state action as well as “facilitat...[ing] the institutionalized compromise on which accumulation regimes and modes of regulation depend, and subsequently come to embody them” (Jessop, 2002: 49).

In his work ‘The Future of the Capitalist State’ (2002), Jessop defines a particular mode of capitalist accumulation, Fordism, characterised by a distinctive labour process with a reliance on semi-skilled labour in a production-line setting. It is this form of capitalism and its accompanying spatio-temporal fix Jessop argues preceded the shift towards recommodifying welfare arrangements. In terms of its accumulation regime, Fordism promotes a stable form of macro-economic growth through its focus on mass production and increasing productivity. With regard to its mode of regulation, labour and Trade Unions have the right to engage in responsible collective bargaining. For Jessop (ibid), Fordism can also be seen as a mode of societalization whereby its accumulation regime is embedded within civil society due to the cohesion of its institutional forms and wider society. Particular to this form of capitalism, Jessop (1999 and 2002) argues the Keynesian Welfare National State (KWNS) was developed so as to secure the viability of the mode of accumulation, thus acting as a social fix for Offe’s paradox within the economic, political and social context of the time (producing a spatio-temporal fix). Jessop presented the KWNS as an ideal type (1997 and 1999), which he later (2002) expanded upon to present regime-specific variations. For liberal regimes, Jessop argues the KWNS promoted a mixed economy with a bias towards the market with a more residual role for the state. A more corporatist approach or a ‘negotiated economic model’ increasingly involved social partners. The statist model allowed the state to define and enforce the responsibilities of the state, markets and citizens. As would be expected, familial models focused on provision within the private sphere of the family.

In terms of Jessop’s (1999) aforementioned criteria of state intervention as the means to maintain the capitalist mode of accumulation, the KWNS adopted a policy of full employment whilst protecting national economies by restricting imports. The KWNS tackles the complications of the second criteria by moulding both mass and collective consumption norms via economic and social policies. In terms of the third criterion of the

scale of intervention, the KWNS operated at the national level. Finally, the criterion addressing the emphasis placed upon policies implemented to ameliorate the inequalities was satisfied within the KWNS with the adoption of statist policies to enhance the market to the end of promoting social solidarity and economic growth.

As the term ‘spatio-temporal fix’ implies, the KWNS was a specific response to a specific form of capitalism. Therefore “[a]s growth rates declined and world market integration expanded Keynesian full employment and redistributive policies could no longer be maintained. The welfare state with its inbuilt expansionary dynamic changed from a prop to a fetter on capitalist valorization” (Hirsch, 1994: 70). Jessop (1994 and 2002) makes the distinction between a crisis *in* and *of* an existing spatio-temporal fix. If it is a case of the former, piecemeal reforms may be sufficient; if it is a case of a crisis *of* the fix, large-scale redesign may be necessary. Jessop (1994) argues the crisis *of* Atlantic Fordism’s spatio-temporal fix had several elements, which are delineated below.

### **2.3 The Move to Recommodification**

Jessop’s work includes both exogenous pressures and intrinsic flaws as necessitating the move towards the recommodification of labour. The move from Fordism to post-Fordism, which can be summarized as the shift from an accumulation regime based on mass production to one based on mass consumption, prompted a change of spatio-temporal fix (Jessop, 1994). Jessop (2002) argues the KWNS was introduced as a solution to the problems of a different era; the political, economic and social sands upon which welfare arrangements were built had shifted, exposing its structural weaknesses, leaving it open to criticism and restructuring. The complete dismantling of welfare was unthinkable, both due to its popularity and the possible impact on the economy (Jessop, 2002: 151; see also Mishra, 1999; Esping-Andersen, 1985; Pierson, 1996; 2001). Therefore, the KWNS’ deficiencies in managing the contradictions of post-Fordism necessitated the move towards what Jessop terms the ‘Schumpeterian Workfare Postnational Regime’ (SWPR). These changing circumstances will be elaborated on in the following sections.

### *2.3.1 The Crisis of the KWNS: The Economic/Structural Element*

First, the oil crises of 1973 and 1979 and the economic restructuring acted in a ‘scissors’ motion with a reduction of the tax base whilst at the same time, increasing demands upon expenditure. Traditional manufacturing industries were particularly badly hit with mass redundancies, containing a disproportionate number of older individuals, as industry shifted towards information technology and services. Jessop (1997) argues the rise in new core technologies to the detriment of others affected the spatio-temporal fix. In addition, the change in the structure of the labour market with the increased proliferation of part-time and temporary employment affected the unemployment rates. It is in this context, Pearson (1996) argues, a dual labour market has emerged contrasting core employment with security, good conditions and terms of pay and a periphery characterised by insecurity and lower wages. In addition new, more egalitarian business structures emerged, reducing management roles. For Mishra (1999), the tide turned against the post-war welfare state with its emphasis on full employment as the oil crises of the 1970s disproved the assertion that high unemployment and inflation were not possible in conjunction. Thus liberal arguments about the functioning of markets were given credence and nations moved away from the maintenance of full employment towards monetarist policies. The increasingly global economy was argued to have curtailed policy options with regard to maintaining Keynesian economic policies.

Thus as unemployment increased, demands on the KWNS were amplified whilst the numbers of working contributors decreased and focused political attention on groups of ‘passive’ recipients. At the same time, increased economic competitiveness in light of globalisation raised important questions about benefit expenditure and the corresponding outcomes (van Berkel and Møller, 2002). Employment may be undermined by capital’s mobility if the industry is not competitive and thus governments may be compelled to reduce taxation of national businesses. Globalisation may increase the insecurity of low paid employment and thus welfare state expenditure focuses on reducing unemployment (Torfing, 1999).

In addition, factors such as demographic change added to the crisis, with the ageing population altering the balance between welfare consumers and contributors. The core of the problem lies with falling fertility in addition to the trend of early retirement in a period of economic downturn. The population over 50 in the European Union is set to increase from 31.3% in 1990 to 42.2% by 2020. In addition, over the same period the numbers over 60 will increase from 19.7% to 26.7% (Pearson, 1996). Not only has life expectancy increased at birth, large numbers of individuals from the ‘baby boomer’ generation will be approaching 50 in an era of falling fertility. The World Bank (1984) also argued existing welfare systems were outmoded and hard to reform in line with societal and demographic change. Also, younger people as a share of working population will decline due to increased numbers entering higher education for longer periods.<sup>5</sup> Finally, women’s increasing employment has resulted in a trade-off between child-rearing and employment (Esping-Andersen, 2000). These trends have led to what have been dubbed ‘demographic time bomb’ arguments concerning the viability of social security systems with shifts in dependency ratios and the predicted labour shortage (Loretto and White, 2004; see also Sections 3.1 and 3.2 of this thesis). Additionally, older workers exiting employment may add to the numbers claiming state benefits as well as pensions.

Thus these arguments around the structural factors affecting unemployment rates imply a shift to supply-side unemployment measures as an increase in demand will not suffice due to the rigidities in place. As a result, workfare policies were promoted as the means to provide flexible labour and “deliberately aim to put downward pressure on public social expenditure which is regarded as a cost of international production rather than a source of domestic demand” (Torfing, 1999: 11). However, if this argument runs that these factors meant financial demands upon the welfare state were deemed unwieldy, it ignores the fact that activation measures are themselves extremely costly due to their emphasis either on retraining or in-work subsidies. In addition, Baldwin (1990) contends the structure of the welfare state is not determined by the economic situation, a claim he argues is supported by the differing welfare structures exhibited by nations with similar

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<sup>5</sup>However across EU nations there is variation with Portugal and Sweden seeing a rise in the active population between 1995 and 2001 (+1.0% and +1.3% respectively), whilst Italy (-7.5%), Germany and Spain (both -6.6%) have seen a decline (Committee of the Regions, 2003).

economies. Thus Jessop's approach acknowledges more than economic causal factors in the shift away from the KWNS.

### *2.3.2 The Crisis of the KWNS: The Individualistic Element*

In his later work (2002), Jessop expands on the aforesaid economic and structural factors to include social pressures and the emergence of new trends in civil society such as new social movements operating across traditional national boundaries that thus "weakened the sense of national identity that shaped the KWNS in its formative period and thereby weakened the coalition of forces that sustained it" (Jessop, 2002: 89-90). New risks and new social movements had emerged that could not be addressed within the boundaries of the post-war consensus.

This argument suggests decommodifying welfare arrangements rely on the consent of the electorate and therefore solidaristic social relations. Individuals have to acknowledge mutual risks in order for the contributions required to be considered acceptable. However, in an era of post-modernity, homogeneity is increasingly hard to find and thus "[i]n a welfare state, solidarity presupposes preparedness to sacrifice individual advantages for the benefit of others or for society as a whole and, to some extent, to renounce the freedom to pursue one's own self-interests" (Stjernø, 2005: 321). In addition, the rise of consumerism has spread to the welfare state with people opting out of state services, thereby weakening the desire to contribute to decommodifying arrangements. Stjernø thus argues self-interest and collective solidarity need to be combined to safeguard welfare arrangements.

For Parsons (in van Oorschot and Komter, 1998), the solidaristic social relations that embody welfare states represent a rational choice on the part of actors to pool their resources to increase their own utility. However, this produces concerns over 'free-riding' and therefore self-interest must be sacrificed for the interests of the group and ties are created at the meso-institutional level. Institutions have the authority to thrust moral obligations upon individuals and these obligations provide the common bonds that hold society together. As a result, the solidaristic social relations envisaged by Parsons involve



coercion which is applied by institutions (van Oorschot and Komter, 1998), and can be seen in the move towards the recommodification of labour which aims to ensure individuals do not exploit welfare arrangements in a period where traditional, communal ties have been weakened by individualism.

Linked to this, Etzioni's (2000) communitarianism counters individualism and free-riding with an emphasis on rights and responsibilities in equal measures. The emphasis on responsibilities is at the expense of welfare rights; participation in a programme requires the fulfilment of responsibilities foremost before the right to benefits can be accessed. However, this communitarian approach is not unproblematic. In concentrating on community, it focuses on a contested and poorly defined concept. Luhmann (in Stjernø, 2005) argues the system of interaction and system of society have become separated and as there is no reciprocity between the two, the traditional notion of solidarity is no longer possible. Therefore the communitarian argument is nostalgic for a society that died with the rise of the new form of capitalism.

However, arguments which place decommodifying welfare state arrangements and increased individualism at opposite ends of the spectrum are not absolute; as traditional ties break down, people are free to form new associations. Though most nations have witnessed a shift towards individualism in recent years, the welfare state still enjoys relatively extensive support (Taylor-Gooby, 1999), yet Stjernø (2005) notes the support of the middle class is integral. This option is less costly for middle class individuals than private provision and therefore combines rational self-interest and solidarity. Self-interest in turn can be modified and enlightened through awareness-raising about the effect both on the individual and wider society of the complete dismantlement of the welfare state.

### *2.3.3 The Crisis of the KWNS: Intrinsic Flaws*

Aside from pressures external to the KWNS, Jessop argues within the spatio-temporal fix of the KWNS, there were four intrinsic 'crisis tendencies' (1999 and 2002). First, its object of economic governance as the national economy (which itself is prone to

‘stagflation’) had been undermined by the growth of the international economy. This crisis tendency presents two paradoxes. First, to combat this tendency, the state must expand its role which ultimately reduces its efficacy. In addition, as its role expands, the state requires more partners with whom to coordinate its actions. These partners need to be ‘created’ and this expands the state’s remit even further. Indeed, Jessop (1994 and 1999) argues that as the welfare state defines the objects of governance, it can be seen to generate problems for it to solve thereby creating an expansionary dynamic which ultimately proves ungovernable (Jessop, 1999).

The second crisis tendency relates to changes in the realm of national identity. The KWNS is based on the premise that individuals can be divided in terms of ‘citizens’ and ‘aliens’, but in an era of migration, the demands of the welfare state are becoming increasingly diversified which can be linked to the points made in the previous section. The third crisis tendency argues the legitimacy of the centralised, sovereign state came under scrutiny with increasingly antagonistic relations between local and central governments. The nation state was increasingly felt to have failed to fulfil the promise of the KWNS and had also been unsuccessful in pursuing new, more successful policy avenues. Related to this, there is the difficulty of nation states operating on increasingly expanded scales. The increasing hegemony of the United States of America and interventions of supranational bodies such as the EU and EC meant that nation states found it increasingly difficult to apply their own, tailor-made policy solutions (Jessop, 2002).

With reference to this third crisis tendency, for Palier (2004) Europe is an important consideration in the formation of social policy in that “[b]etween global pressures and domestic structures, Europe acts as a catalyst, a filter which both enables new reforms and reorients the ‘European social model’” (Palier, 2004: 1). The European element often slips through the gaps of analysis, with research either focusing on globalisation and the international context or the domestic situation in terms of demographic ageing and changes in the family structures. However, Palier (2004) argues there is a need for a renewed focus on the EU and the prospect of the Europeanisation of

welfare states. Moreno and Palier (2004) define Europeanisation as a convergence of resources and outputs that are the result of supranational economic and institutional structures. Integral is the move of economic ideology towards a workfare state which emphasises competitiveness and economic freedom (Moreno and Palier, 2004: 8).

Palier (2004) traces the Europeanisation of social policy to the 1994 Essen Summit which created five areas of employment policies including: the improvement of employment opportunities; the increase of the employment intensity; the creation of active labour market policies; the promotion of schemes aimed at the long-term unemployed; and in order to encourage the employment of low skilled workers, the reduction of labour costs not related to wages. Palier argues “[t]he arrival of employment and social policies on the European agenda and procedures can be understood as an unintended consequence (a spill over effect) of the European economic and monetary integration” (Palier, 2004: 9; see also Leibfried, 2000). The creation of the European Monetary Union and the Maastricht Treaty (1992) changed the context of welfare, prompting calls for more flexible arrangements which are more in keeping with open markets (Palier, 2004; Leibfried, 2000). This can be seen as the impetus behind the move towards recommodifying welfare arrangements with a corresponding shift in aims from combating unemployment through demand-side measures to combating inflation (Moreno and Palier, 2004: 8). In addition, European Court of Justice has promoted the Europeanisation of welfare by decreasing nations’ sovereignty and the blurring of their boundaries (Moreno and Palier, 2004).

However, as traditionally EU policy has an economic slant and therefore European citizens have been considered more as workers and less as the bearers of rights (Moreno and Palier, 2004: 15), the EU is more accomplished at creating economic frameworks than social policy ones. The creation of the Open Method of Coordination (OMC) attempted to reconcile this, including National Action Plans (NAPs), peer reviews, common guidelines and recommendations. Palier (2004) argues the OMC is involved in an iterative process between nations and the European level but though it involves a process of Europeanisation, it does not result in convergence. Indeed, though

“the function of the EES [European Employment Strategy] and OMC is to help national welfare states to leave the good old Keynesian world, to find new principles, new function, a new architecture for social policies, so that social policies will be more in line with supply-side economic policies” (Palier, 2004: 13), the EU ultimately faces the barrier of pre-existing national policies and their pre-given trajectories.

The final crisis tendency refers to the state’s role and its effectiveness in providing solutions to modern political, economic and social problems. The crisis also exhibited a political element with mounting dissatisfaction with existing forms of political representation. Increasingly, the assumptions of Atlantic Fordism and the KWNS were challenged in an “antibureaucratic, autonomous, politicised civil society” (Jessop, 2002: 176). With regard to this final crisis tendency, it is argued a ‘new wisdom’ (Lødemel and Trickey, 2001) around the nature of benefits and dependency increased in popularity, framing the move to a workfare/activation approach. This new wisdom contained arguments about the social exclusion and welfare dependency exacerbated by current welfare arrangements. If social exclusion is the problem facing those on benefits, “[t]he policy response...is ‘insertion’; society has a responsibility to re-insert excluded people” (ibid: 17). The ‘insertion’ envisioned is into the labour market, which provides both financial and social advantages that benefit receipt alone cannot offer. Pierson’s (2004) ‘new politics’ approach argues that in times of welfare expansion, politicians compete with increasingly popular policies; in times of retrenchment “politicians mobilize negativity bias when they attempt to deprive voters of entrenched social rights” (Korpi and Palme, 2003: 431). As a result, the new politics approach argues that cuts are unrelated to the political ideology of the party elected as all concerned have adopted the ‘new wisdom’. In addition, for Mishra (1999) the policy paths available from the left of the political spectrum are becoming more limited as parties begin to drift towards the right; a change of government does not necessarily herald a move away from this model. As alternative options for action decrease, the political left and right converge upon their definitions of the problem and its corresponding solution.

However, empirical work implies the move to the ‘new wisdom’ of welfare

deficiency is not as encompassing as implied. The work of Korpi and Palme (2003) can be used to assess these statements on the decline of the left and the move to the right through their comparisons of parliamentary composition and reductions in spending. It was concluded that cuts were most prevalent in cabinets with more representatives from the right of the political spectrum whereas the presence of representatives from the left safeguarded against major cuts. Though the left's influence is declining, Mishra (1999) does not envisage the dismantling of the welfare state completely. For Mishra, the welfare state is entrenched in democracy and can only be dismantled when democracy itself is dismantled. Thus neoliberal requests to 'roll back the state' have only had limited effect, eroding full employment whilst unemployment benefits remain. However, Mishra also notes that though the welfare state survived this onslaught, globalisation may undermine it further. In addition, Mishra argues organised labour is one of the most integral interest groups attempting to defend state welfare yet increasing unemployment and declining Trade Union membership may reduce their power.

In addition, the 'new wisdom' has little novel about it. Arguments around dependency have existed since state welfare's inception and Alcock (2003) and van Oorschot (1998) argue this discourse has proved resilient. The nineteenth century Poor Laws allocated relief according to the distinction between 'deserving' and 'undeserving' and the notion of 'less eligibility' meant the receipt of benefit was no more lucrative than the lowest paid employment so as to avoid the creation of dependency effects; a concept which has resurfaced with 'welfare-to-work' policies (Powell and Hewitt, 2002; Hall, 1998).

## **2.4 The Recommodification of Labour**

Jessop argues the aforementioned exogenous and endogenous pressures have caused welfare arrangements to shift from KWNS to a Schumpeterian Workfare Postnational Regimes (SWPR), a shift that represents the move from commodifying welfare arrangement towards the recommodification of labour through activation and workfare policies. This section will first address the characteristics of the SWPR before focusing particular attention on the 'workfare' element. Finally a discussion of the

recommodification of labour and the various accounts tendered for this move are entered into.

Jessop (2002) argues state intervention as a means of social reproduction has changed in two ways with the decline of the KWNS and the move towards the SWPR. First, social policy has become the means by which workers and the labour market are made more flexible in line with the needs of the knowledge-based economy which has implications for the construction of labour as a fictitious commodity. Second, social policy has also been redesigned so as to place a downward pressure on wages which have come to be viewed as a cost of production as opposed to a source of demand as in the period of Fordism. When the social wage is seen in the former manner, cuts in welfare state expenditure occur as public spending on unemployment benefits is viewed as a fruitless waste of tax revenue. This reduction brings public spending in line with the competitive ethos of the SWPR. Thus social transfers are altered so as to be more productive, thereby exemplifying the aforementioned activation approach. The ‘Schumpeterian’ thread of Jessop’s argument refers to this increased flexibility and the ‘workfare’ element is the result of the role of the state in “the making and re-making of the subjects who are expected to serve as partners in the innovation, knowledge-driven, entrepreneurial, flexible economy and its accompanying self-reliant, autonomous, empowered workfare regime” (Jessop, 1999: 356). The ‘postnational’ element refers to argumentation that interventions are no longer solely nationally based, with non-state mechanisms rising in importance, thus producing a shift from ‘government to governance’ (Jessop, 1998; 2002).

However, somewhat confusingly, some of Jessop’s work (1994 and 2002) outlines a variety of responses to the crisis of Fordism yet other pieces (1997 and 1999) depict a broad shift to a SWPR. The former works outline regime-specific responses to the crisis, arguing the neo-liberal regimes have focused specifically on the recommodification of labour coupled with privatisation and the deregulation of markets (1994) as well as an emphasis on wage flexibility coupled with the abolition of the minimum wage and a reliance on means-tested benefits. Thus the neo-liberal response shifted the balance of

power in favour of capital to the detriment of labour and welfare states were refocused on subsidizing low wages whilst their other capacities were ‘contracted out’ to the allegedly more efficient market sector. Neo-corporatist (or ‘conservative-corporatist’, 2002) nations responded to the crisis of Fordism by increasing the involvement of the voluntary sector in the provision of welfare. In neo-statist regimes, the response was to compensate for market failures through policies with a strong decommodification focus through guaranteed minimum income schemes. Social democratic regimes not only relied on activation policies, but also increased their commitment to demand management. The variations among these SWPR approaches for Jessop are due to paths laid out by previous decisions and avenues of interventions (see also Pierson, 2004 and Section 2.5.3 of this thesis). However, the differences among these responses that come under this category of ‘SWPR’ are striking and perhaps weaken Jessop’s argument. The next section explores the character of work-focused welfare arrangements, which is indicative of the recommodification of labour.

The rise of workfare and activation policies realign the focus of the welfare state from providing for need outside of the labour market to encouraging the re-engagement with paid employment through a mixture of sanctions and incentives and as such represents the ‘recommodification of labour’. However, there is debate in the literature as to whether workfare and activation differ in their approach. Indeed, though Jessop (2002) uses the term ‘Workfare’ in his acronym SWPR, when focusing on this element in detail, he refers to ‘activation’. Torfing (1999) argues there is in actuality a continuum from workfare to welfare, with activation closer to the former. Torfing makes the distinction between offensive unemployment strategies that deal with economic difficulties in a “proactive manner...to produce a positive-sum solution” (ibid: 9) and defensive strategies, which aim for “zero-sum solutions that give in to short-term partisan interests or ideological concerns”. Therefore ‘workfare’ denotes ‘defensive’ work-focused programmes, whilst ‘activation’ refers to ‘offensive’ schemes with an equal focus on training.

However, as Quaid (2002: 19) argues “conceptual distinctions exist between the

terms...these differences are largely semantic and reflect more the preference of the politicians for how the words might sound to the voter's or taxpayer's ear than any actual, tangible distinctions between types of programs. Basically, workfare signifies a form of welfare for which recipients undertake some labour-market-related activities...in return for government payment". Perhaps then though their means differ, as the aim of both workfare and activation policies is to promote labour market participation, they should both be included as 'recommodifying' welfare arrangements. Indeed, both seek to move towards the labour market, away from decommodification. Thus for this thesis, the term 'active labour market policies' will be employed to encompass both activation and workfare.

For Jessop (2002) activation policies embody four aims: to improve the flexibility of the labour market; to enhance the employability of its subjects; to delegate responsibility for provision to local agencies and authorities, and a focus on the 'knowledge-based economy' with the emphasis on re-skilling and lifelong learning. Jessop constructs a continuum from 'flexploitation' to 'flexicurity' within activation approaches. The former refers to neo-liberal regimes where flexibility results in increased coercion to find employment, whilst those in work experience increased insecurity. 'Flexicurity' approaches, as the name implies, combine flexibility whilst making employment more secure and increasing social inclusion (as embodied by the neo-corporatist approach).

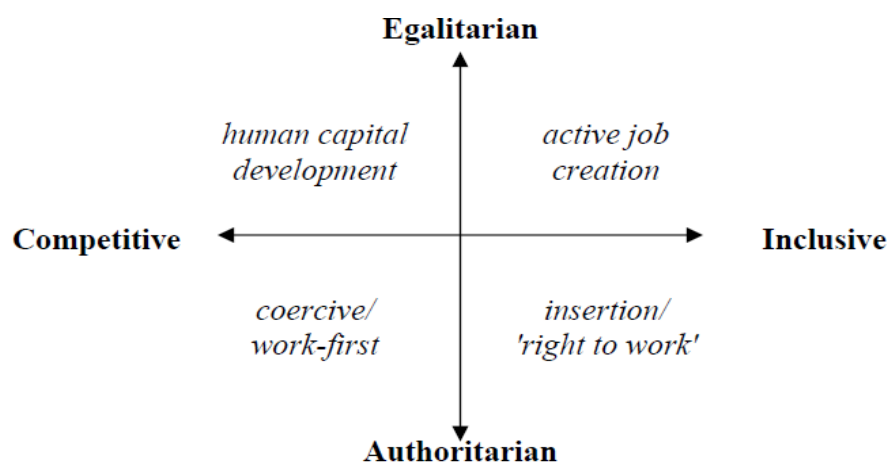
Lødemel and Trickey (2001) focus explicitly on workfare and outline three elements. First, participation in the programme is compulsory insofar as failure to comply results in reduced benefits and thus Lødemel and Trickey use the term 'throtter' - a hybrid of threat and offer. Second, workfare is primarily about work, indeed that which is paid. Finally, workfare is usually associated with the lowest level of benefits, such as social assistance. Lødemel and Trickey argue active labour market policies include a mix of 'carrots and sticks' as incentives to enter the labour market and measures to discourage unemployment. The underlying assumption behind sanctions is that claimants are either dependent due to rational or irrational considerations. The former denotes the decision to



remain on benefits by calculating that it is more financially rewarding, whereas irrational considerations argue that time spent in the receipt of benefits is demoralising and makes it harder for claimants to make the transition into employment. Thus implicit to compulsion is the idea that worklessness is not due to a lack of employment opportunities, but a result of failings on the part of the claimant.

Dean (2006) creates a typology of welfare-to-work regimes, which encompasses both workfare and activation. Underlying the policy approach, Dean argues, is the nation's commitment to either a solidaristic or contractarian notions of citizenship. In terms of the former, the welfare-to-work regimes aim to increase the social inclusion of the individual, whilst the latter binds the individual in a contract with the state designed to increase labour market competitiveness. Intersecting this dichotomy is the moral premise underlying the welfare-to-work approaches: whether they focus on fairness or are authoritarian and thus concerned with social order. Figure 2.1 demonstrates this taxonomy. In accordance with the distinctions between offensive/ defensive unemployment strategies (Torfing, 1999) and flexploitation/ flexicurity (Jessop, 2002), policies that embody the authoritarian side could be argued to exemplify a workfare approach, whilst those that are egalitarian are more akin to activation measures.

*Figure 2.1 Welfare-to-Work Regimes: a Heuristic Taxonomy*



Source: Dean, 2006: 11.

Dean then divides European nations in accordance with this taxonomy. In terms of the competitive/ egalitarian quadrant, Dean argues human capital is key in that it “focuses on the opportunities that are made available to individuals to enhance their productive potential and their labour market readiness” (Dean, 2006: 12). Dean includes the UK, the Netherlands and Denmark in this cluster. However, it has been suggested that the UK embodies a ‘work first’ approach, more akin to the United States thus placing it in the competitive/ authoritarian category. Indeed, many of the UK’s New Deal programmes provide the main benefit such as tax credits and training grants once the individual is engaged in labour (Carmel and Papadopoulos, 2003). Dean does note however that none of the categories in the taxonomy exist in their pure form. Sweden is placed in the inclusive/ egalitarian cluster in that employment is integral to societal functioning and individual integration and as a result policies are distributed universally. Finally, the authoritarian/ inclusive cluster contains France whereby “welfare-to-work is concerned to promote the ‘insertion’ of those who have been excluded into the labour market; to give effect to their right and their moral obligation to work” (Dean, 2006: 12).

## **2.5 Jessop Evaluated**

Jessop (1994, 1997, 1998, and 2002) acknowledges a broad range of exogenous and endogenous factors that produce welfare state change, thereby providing a holistic approach. Though Jessop’s work provides an extensive account of the shift in welfare arrangements towards a more workfarist/activation approach, his approach is not without critique and the following sections provide an evaluation.

### *2.5.1 Jessop, Functionalism and the Separation of Economic and Social Spheres*

Jessop’s work, like much of that produced by authors who include elements of regulation theory in their writings, can be subject to critique on the grounds of a functionalist approach to institutions. Indeed, authors from this school of thought focus on how accumulation regimes are maintained and reproduced in spite of their inherent conflictual tendencies. In suggesting that social fixes are contingent on the mode of

accumulation, Bonefeld (1987) argues Jessop takes a functionalist interpretation of capitalist reproduction. Yet to critique Jessop on the grounds that he provides an overly functionalist view of state-economic interactions would lose sight of his emphasis on the contradictions and tensions between the two spheres (see also Offe, 1984); because two elements exist at the same time, and are contingent on one another does not mean this relationship is not fraught with conflict and challenges.

Baldwin (1990) provides further critique by arguing that though social policy is required to secure the optimal performance of a society, the economic situation does not determine the shape of welfare arrangements, citing different nations with divergent welfare states and similar economies to add weight to his argument. However, this is not incongruent with Jessop's analysis in that he focuses on a myriad of exogenous and endogenous pressures on welfare arrangements that bring about change, and as a result, these arrangements are always spatially and temporally specific to a given context, thus explaining divergent welfare arrangements. Indeed, Jessop also makes the distinction between a crisis *in* and a crisis *of* a spatio-temporal fix. If it is the case of the former, Jessop argues the fix can survive with some non-revolutionary reforms thereby acknowledging that arrangements can still remain in place whilst not entirely 'functional'. However, Jessop's work focuses on instances where there is a crisis *of* the spatio-temporal fix, reflecting the influence of regulation theory on his work. This particular school of thought focuses on crises as opposed to stability in that "[t]he theory's relevance does not derive from an analysis of stabilised regimes, but rather from its capacity to detect and anticipate probable sources of crisis: regulation and crises are linked as intimately as two sides of a coin" (Boyer, 1995: 2).

Jessop's perspective on the relationship between the economic and extra-economic spheres adds credence to the functionalist critique of his work and is an area of contradiction. Jessop himself provides defence of the functionalist critique, arguing "to deconstruct the concept of the 'needs' of the economy: if the economy is not self-sufficient, self-reproducing, and self-steering and, if the political is formally rather than functionally determined by the economy, there can be no unambiguous economic needs.

The needs of capital must be assessed strategically in relation to complex conjunctures rather than formally in terms of an abstract, purely economic, circuit of capital” (Jessop, 1988: 155). Thus the economy/ state divide neglects their embedded nature. However, though Jessop appears keen to interlace economic and extra economic spheres thus “capitalism is not a self-contained system but is structurally coupled with its environment” (Jessop, 1997: 577) and in his 2002<sup>6</sup> work he argues liberal regimes separate the economy and state institutionally to “make the latter’s interventions appear as external intrusions into the activities of otherwise free economic agents...This encourages the belief that state intervention is an intrusion into formally free choices of particular members of civil society once the conditions for social order have been established” (Jessop, 2002: 219-20), in the latter text he begins from the conceptual starting point that the extra economic and economic spheres are distinct and separate. Indeed, Jessop’s work is influenced by that of Poulantzas, who argued that even though relations between the state and economy change, “these changes ever be inscribed in a topological image of exteriority, according to which the State, as an instance always external to the economy, now intervenes in the relations of production themselves thereby penetrating economic space, and now remains outside that space, acting only on its periphery. The position of the State vis-à-vis the economy is never anything but the modality of the State’s presence in the constitution and reproduction of the relations of production” (Poulantzas, 1979: 17). For Kelly (1999: 113), it is this that leaves Jessop open to criticism for being overly functionalist: [b]y arguing that state power is capitalist to the extent that it maintains the conditions favourable to capitalist accumulation, one must implicitly sanction a strict separation of the political and economic spheres”. Therefore for Kelly, by arguing that extra-economic policies can be anti-capitalist whilst at the same time integral to maintaining a capitalist society, Jessop takes a narrow view of the scope of the economic sphere, with the state as entirely separate or entirely bent to the will of capitalism.

### *2.5.2 Agency and Power Resources*

A further critique can be levelled at Jessop’s work with regard to his neglect of agency and collective action, as well as eliding the question of who benefits from the

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<sup>6</sup> *The Future of the Capitalist State* (2002).

maintenance or replacement of a particular mode of accumulation. Bonefeld (1993) argues Jessop's focus on structural change means he neglects agency, or as Bonefeld terms it, 'strategy'. He argues "[i]s the replacement of Fordism by Post-Fordism driven forward by the objective tendencies of capitalist development, or by a process of constant, hard-fought struggle? If the former, we are confronted with a closed structural-functionalist world which we are powerless to change. If the latter, we are faced with the 'reality' of a constant struggle" (Bonefeld, 1993: 26). For Bonefeld, Jessop consigns class struggle as an explanation of change to the 'but also' position.

This neglect of class struggle, Holloway (1988: 102) argues is a serious omission in that "[to] survive, capital must reimpose its authority and restructure its domination. The world must be sewn up again, the future closed off. But that is far from being an automatic process. There is a tendency in much of the literature on Fordism and post-Fordism to elide crisis-as-breakdown and crisis-as-restructuring, and to assume that the transition from one to another is unproblematic, or can be taken for granted... To the extent that capital has managed to re-impose a greater measure of stability, it has been through a hard, and bloody, process of struggle, a struggle that is far from over". Korpi and Palme (2003) outline what they term the 'power resources' approach to welfare state retrenchment, or in this case, the move towards policies of recommodification. This approach focuses on the actors involved political decision-making and the way they utilise their assets to their desired ends. For Korpi and Palme, class still plays an integral role in forming the structure of the welfare state in that the disparity of different groups' resources determines their capacity for action. In turn, these differences in resources are determined to a degree by the political structure in that "asymmetric effects of political democracy on the logic of the situation in markets and in politics of different socio-economic classes" (Korpi and Palme, 2003: 427).

Korpi (1983) argues the way resources are balanced between labour and capital can result in differing consequences. First, the way power resources are distributed impacts upon the results of the exchange process and therefore the degree of inequality in society. Second, the differing resources of labour and capital affects the social conscience

of citizens in terms of what is considered just and therefore “[w]eak groups often learn, or are taught to accept, circumstances which stronger groups would consider unjust” (Korpi, 1983: 18). Thus older individuals may learn to accept their marginalisation from the labour market on the grounds of their age in a way that other groups, such as women would no longer (Baboulene in Laczko and Phillipson, 1991: 33). However, any alteration to the distribution of power resources provides scope for action as “[s]ince changes in the distribution of power resources also affect the alternatives for action open to actors, they can be expected to influence the actors’ strategies of conflict and thus the pattern of conflict between them” (Korpi, 1983: 18). Finally, Korpi argues that the shape of institutions is determined by the distribution of power resources between capital and labour. New institutions for Korpi arise from compromise between interest groups and are the product of these groups mobilising their power resources to secure an outcome as beneficial to them as possible. As a result, institutions are never neutral thus “the ways in which they were created and function reflect the distribution of power in society. When the distribution of power resources is altered, the form and functioning of such institutions and arrangements are also likely to change” (Korpi, 1983: 19).

In terms of the distribution of these resources, the labour market is integral. Korpi and Palme (2003) argue that those who are disadvantaged in terms of economic resources can utilise their collective labour power to alter the system of redistribution and the welfare state itself is a product of such action. However with the rise of workfarist states and the decline in benefits with a high degree of decommodification, withdrawal from the labour market becomes less of a viable option. The decline of unionised manufacturing had corresponding effects for the power of labour organisations and their demise ushered in a spate of temporary, part-time jobs which undermines the solidarity of labour (Mishra, 1999). The situation is worse for those who are excluded from the labour market who have no opportunity to withhold their labour and thus recalibrate distribution in their favour.

Block and Evans (2005) argue that debates as to the effectiveness of welfare states should be closely linked to the examination of different groups’ differential interests and

capabilities to influence the decision making process. As a result, the structure of the welfare state for Block and Evans can result in “intense social polarization over welfare state spending as well as effective and durable class compromises” (Block and Evans, 2005: 514). Old age and worklessness result for a great many in poverty, thus reducing the resources that can be utilised by this group. In addition, politically the two ends of the ageing spectrum that represent dependency possess less political power. The ‘green’ generation however, will become productive and thus welfare state spending on this cohort is as an investment whereas the ‘grey’ generation are viewed as consumers and thus their access to services are rationed. Again, linked to the diminishing of political and economic power with age, those in the third age outside of the labour market may have fewer resources to mobilise in the defence of their interests. However, the idea of policy feedback (Pierson, 2004) suggests that new interest groups are created by the policies of the welfare state. Thus the older age cohort, who will increase as the ‘baby boomer’ generation enter their fifties, will represent a large share of the voting population thereby increasing their political power.

Thus the move to the SWPR could represent the decline in power of certain interests whilst others were on the increase, rather than a more structural explanation relating to exogenous shocks. Indeed, Hirsch (1994) argues the KNWS was intrinsically a political structure as in a society based on full employment, Trade Unions and labour held considerable power and were thus able to demand a degree of protection against social risks. Therefore for Hirsch, the KNWS embodied a hegemonic project and thus as the power of these groups declined, social policy was able to be appropriated for alternate ends (i.e. in service of the economy). However, Jessop’s presentation of the shift to the SWPR as a ‘quasi-fact’ obscures the role of individuals and groups in instigating this change. He neglects that institutions are created by, comprise of and are maintained by individuals and groups. Indeed, he argues “[w]hile the constitutionalization and centralization of state power enable responsibility to be formally attributed to named officials and bodies, this should not lead us to fetterize the fixing of formal political responsibility at specific points and/or specific personages” (Jessop, 2002: 41). However, it could be argued that by underplaying the role of individuals, Jessop also ignores

questions of power inequities and their role in the formation of policy.

### *2.5.3 Path dependency, Change and Divergence*

The new institutionalist literature can be employed to critique Jessop's work with regard his approach to change in two ways. First, Pierson (1996) argues much of the literature regarding the 'crisis of the welfare state' underestimates how durable the welfare state is due to its popularity and entrenchment and is therefore critical of the notion that welfare states are 'under siege' and at risk of being dismantled. He argues that to invert analyses of welfare state expansion to provide accounts of retrenchment is over simplistic: "First, the political goals of policymakers are different; second, there have been dramatic changes in the political context. Each of these points requires elaboration" (Pierson, 1996: 144). For Pierson, welfare state expansion and retrenchment are different because the former is popular whilst politicians engaging in the latter must operate 'blame avoidance' by attributing cuts to outside influences. Thus for Pierson, accounts that ascribe welfare state expansion to economic growth and in reverse, welfare state retrenchment to economic decline resort to 'economic determinism' and ignore the politics<sup>7</sup> of policy change.

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<sup>7</sup> However, in emphasising the importance of politics in influencing policy change, Pierson is not advocating the power resources approach. He argues that to credit organised labour with shaping welfare arrangements is flawed in two respects. First, if the power resources literature is correct, one would expect welfare state retrenchment to be more successful as organised labour loses power yet union membership has declined at a greater rate than welfare arrangements. Second, organised labour is not the only group with a vested interest in maintaining welfare arrangements: "The possibility of exacting punishment at the polls means that the potentially mobilized influence policymakers even in the absence of ongoing organized activity" (Pierson, 1996: 151). New institutionalism also adds a further caveat to the power resources approach by underscoring the importance of governance in terms of the 'rules of the game' as established by institutions. Thus "[i]nstitutions establish the rules of the game for political struggles- influencing group identities, policy preferences, and coalitional choices, and enhancing the bargaining power of some groups while devaluing that of others. Institutions also affect government capacities- their administrative and financial resources for fashioning policy interventions" (Pierson, 1996: 153). However, to talk of 'institutions' as if they are autonomous entities obscures the fact that they are made up of individual actors, exercising their preferences in accordance with their ideology (Korpi, 1983). Indeed, as Streeck and Thelen note "[p]olitical institutions...are the object of ongoing skirmishing as actors try to achieve advantage by interpreting or redirecting institutions in pursuit of their goals, or by subverting or circumventing rules that clash with their interests" (Streeck and Thelen, 2005 a: 19, see also Kelly, 1999: 114).



Yet Jessop is not arguing that the welfare state has been dismantled; indeed, all modes of production require welfare arrangements as part of their spatio-temporal fix. Instead he is arguing that welfare arrangements have undergone change in order to better fit a new mode of accumulation. In addition, Jessop (1994) also makes the distinction between crises *in* and crises *of* the welfare state whereby in cases of the former the basic structure can be retained with piecemeal reforms whilst in instances of the latter, this represents what new institutionalism would term a ‘critical juncture’ and requires a radical restructuring. Indeed, Pierson (1996: 174) acknowledges “To be sure, there has been change. Many programs have experienced a tightening of eligibility rules or reductions in benefits” yet does not consider the possibility that this tightening of eligibility requirements may be significant in terms of the focus and function of welfare arrangements. Thus Jessop does not argue that welfare has been dismantled but fundamentally changed to promote labour market participation through activation measures. This shift, it is argued, represents the move from decommodifying welfare arrangements to those focused on the recommodification of labour, a change that will be explored further in Section 2.6. Thus though Pierson argues “[o]ver time, all institutions undergo change...But there is little sign that the last two decades have been a transformative period for systems of social provision” (Pierson, 1996: 176), as Sections 2.4 and 2.6 demonstrate, if this shift to recommodification of labour has taken place, welfare arrangements have undergone a significant change. This thesis therefore seeks to empirically address whether this move to recommodifying welfare arrangements can be observed, specifically for older individuals.

Second, in presenting broad shifts from one form of welfare arrangements to another as occurring across different nations, Jessop could be argued to overstate convergence thereby underplaying national divergence and the importance of policy legacies. Pierson is anti-functionalist, arguing an institution does not only survive as long as it retains utility. Indeed, institutions often survive due to ‘path-dependency’ in that once the die has been cast, the game must continue from there. Thus Pierson’s (2004) argument is used to elucidate institutional inertia and the notion of ‘increasing returns’

(which emerged as an account of bounded technological change) explains why nations or institutions may get ‘locked into’ certain policy paths as once they have started down a particular route, the costs of deviation may be more than continuation, thus making dramatic reform difficult. Though Pierson includes reference to the work of Lukes (1974), whose three-dimensional approach to power is particularly illuminating, he does not go in depth instead asserting actors may rely on the ‘stickiness’ of institutions to ensure the ‘rules of the game’ are entrenched in favour of their interests. Pierson argues the likelihood of change is impeded by this process and can only be achieved by three means: cumulative causes, threshold effects and causal chains. Indeed, the direction of change is constrained by previous actions, thus explaining the nation-specific responses to similar crises. Nations are therefore circumscribed within ‘menus’ of institutional change. Thus Jessop’s focus on change, as opposed to continuity can, at first glance, be seen as an evaluation of Pierson’s work.

In addition, Jessop’s work can be critiqued for implying an overly convergent move towards SWPR from KWNS, thus failing to take into account national difference both in policy legacies and the range of ‘activation’ approaches adopted. However, Jessop does include discussions of *regime-specific* forms of KWNS and SWPR (1994 and 2002) as outlined in Section 2.4, yet this fails to address national policy legacies and differences on a *country-specific* level. Thus new institutionalism makes a fundamental point that is not at odds with Jessop’s argument, namely that policy legacies impact on future welfare arrangements. Indeed, Jessop argues that the crises experienced at the national-level are “only specific, path-dependent, nationally variable crises, often with regionally specific manifestations” (Jessop, 2002: 70).

New institutionalism has not itself escaped criticism, with Deeg (2005) arguing it is better equipped at dealing with continuity than change and therefore what could be seen as critical historical junctures and shifts onto new paths are instead seen as “rapid evolution along old institutional trajectories (paths)” (Deeg, 2005: 169). Indeed, Streek and Thelen (2005) argue that Pierson’s focus on the difficulties of enacting retrenchment views institutions as static ‘crystallizations’ of previous conflicts and therefore is more

adept at addressing institutional continuity than change. The critiques of Pierson forwarded by Streeck and Thelen (2005) can also be applied to Jessop's work. For Streeck and Thelen, approaches like Jessop's and Pierson's present major shifts as the result of exogenous shocks or 'critical junctures' (in Jessop's case, these shocks exposed the weaknesses of the KNWS) and therefore miss the more incremental steps taken by actors that culminate in major change. Even the internal 'crisis tendencies' of the KNWS, such as its reliance on national markets only become disastrous in conjunction with changes in the external environment.

Streeck and Thelen (2005) present five modes of transformative change that do not necessarily involve exogenous shocks to the system. The first, 'displacement' refers to the emergence of new modes which present questions for those already in existence. This can be seen as akin to Jessop's argument, except that he presents a more 'trial and error' approach to the resolution of the crisis of the KNWS (2002). In addition, Streeck and Thelen highlight the link between displacement and changes to the balance of power: only when the protectors of the status quo lose some of their influence is there the real possibility of change. The second mode, 'layering' occurs where existing schemes and policies are added so as to eventually alter their composition. Thus, one could argue that the regime variations of the SWPR presented by Jessop (1994 and 2002) in fact embody a reform of this new system. 'Drift' is pertinent when evaluating Jessop's work as it refers to actors' abilities to take advantage of gaps in the existing system to relinquish responsibility and thereby weaken that system. It could be argued that the KNWS was allowed to fail in its mission so as to allow certain actors to promote a certain route of change. 'Conversion' refers to the process whereby existing institutions are redirected towards new areas. Finally, 'exhaustion' differs from the aforementioned mode as institutions lose all formal credibility as "behaviors invoked or allowed under existing rules operate to undermine these" (Streeck and Thelen, 2005: 29).

In spite of the critiques, new institutionalism can provide an important strand to this thesis. In terms of providing an additional thread to the empirical framework, Pierson (2000b) argues there are two versions of path dependency arguments: the first takes a

macro perspective to argue that ‘history matters’ in that the previous steps affect the latter stages of a sequence; the second takes a narrower focus to look at nations and the processes of change that made reversal from a particular path costly. Though Pierson prefers the latter, this thesis does not examine processes or causality and therefore the former is more appropriate to provide a possible explanation of divergence between nations.

Therefore the new institutionalist literature is still insightful in terms of presenting the case for divergence between nations, and provides a counter for the convergence-focused recommodification of labour literature. In addition, though Pierson argues that measuring retrenchment is problematic, he does provide a useful schema: “(1) significant increases in reliance on means-tested benefits; (2) major transfers of responsibility to the private sector; and (3) dramatic changes in benefit and eligibility rules that signal a qualitative reform of a particular program” (Pierson, 1996: 157). The latter is particularly pertinent as it can also be used to address *who* is the focus on reforms in terms of eligibility criteria, which is a particular focus of this thesis, as will be outlined in Chapter 3.

## **2.6 Recommodification and Social Rights**

It is argued the move from decommodifying welfare arrangements to a focus on recommodification alters the contract between state and individual, and the character of social rights awarded to the latter. Holden (2003) argues that though the social contract at the core of welfare arrangements can be altered, they can never be entirely dismantled due to their embeddedness in markets (see also Pierson, 1996; 2000). The new levels of conditionality attached to benefit receipt and the move towards workfare policies have the following effects: “the character of social rights has been significantly altered through the attachment of responsibilities to them. The individual’s chief responsibility is to search for employment, hence to participate in the (labour) market. The provision of a state income has thus become a means of commodifying rather than decommodifying labour” (Holden, 2003: 311). This new austerity and emphasis on conditionality marks the recommodification of labour, and it is the welfare state that is being appropriated for this

purpose. Governance now re-shapes citizens to better function in the global market, tutoring them to become skilled, flexible and reasonably priced (Hall, 1998). The state is now less concerned with dealing with the effects of market failure as it is with integrating its citizens within this system (Newman, 2005).

For Papadopoulos (2005), the shift towards activation stresses paid work as the best provision of social protection, ignoring the paradox presented by increasingly flexible and insecure working practices. ‘Security’ and work are synonymous and welfare is now a helping hand which the poor are duty-bound to embrace, marking a return to the ‘blame the victim’ argumentation of unemployment. The state no longer provides the conditions for full employment in line with Keynesian economics, but now ensures *full employability* through the creation of flexibilised, market-ready citizens. The social right to social protection has been eroded and is now contingent upon participation in the market. Papadopoulos utilises the work of Lukes (1974 and 2005) to argue the direction of welfare reform has been influenced by discourses of passivity, dependency and disincentive effects. Peck concurs, arguing “compulsion has become an ‘un-word’...officials must now refer to mandatory provision in the euphemistic language of ‘full participation’” (Peck, 2001: 12). For Papadopoulos, the recommodification of labour represents a power dynamic involving the widening of inequalities to the detriment of labour, with the discursive repertoire of capital achieving dominance. Labour is no longer an agent but an object to be shaped to better fit the needs of the market (Carmel, 2005; Hall, 1998; Newman, 2005).

Empirically, Papadopoulos measured the move towards activation approaches as exemplifying recommodification. In addition, the author addressed the expenditure on unemployment benefits separately as an indication of recommodification, acknowledging that activation measures can prove costly. Papadopoulos in 1993 found an “almost linear relationship in the combinations of policies protecting labour in and out of paid employment with clusters of countries clearly observable” (Papadopoulos, 2005: 17). However, ten years later the results indicated convergence and retrenchment to a model with low levels of protection in- and outside of the labour market. In sum, nations are

increasingly favouring capital and thus social policy increasingly recommodifies citizens. However Room's (2000) arguments could be used to refute this if activation approaches offer the opportunity for self-development through training, thereby actually providing the capacity for *decommodification*. Yet the end to which the activation is promoted is important to differentiate between its decommodification and recommodification potential. If, as Papadopoulos, Jessop (2002) and Holden (2003) argue, activation focuses on making the individual more attuned to the needs of the market, clearly this is a case of recommodification.

In terms of the subjects of the new, recommodifying governance of welfare, White (2000, 2004) argues it is inequitable in two main ways. First, workfare rests on the notion that fairness in society will be assured if everyone works so as to avoid 'free riding'. However, the work deemed valid is within the labour market, ignoring care work and volunteering, both of which have a significant social value. Anderson (2004) concurs that workfare policies ignore the significant contributions made by women in terms of unpaid work. Therefore workfare policies preference some forms of work over others. Workfare policies are often defended on the grounds they promote the work ethic of their recipients, yet Anderson argues this "misattributes recipients' nonwork to deviant values, when their core problem is finding steady employment consistent with supporting a family and meeting dependent care responsibilities. Rigid work requirements impose unreasonable costs on some of the poor" (Anderson, 2004: 243). In addition, conditionality is often applied to the lowest level means-tested benefits, thus affecting the poor disproportionately.

In terms of second of White's critiques, as workfare applies a fairness-based work ethic (i.e. all members of society should work so no one is idle while others toil), but similar employment requirements are not applied to, for example, those who have inherited large sums of money and are not engaged in paid labour. Thus "workfare forces the asset-poor to work, while leaving the asset-rich (or at least the inheritance-rich) free to ignore any such duty" (White, 2004: 278). Given the unequal access to employment opportunities, individuals are not at equal risk of workfare policies. Individuals with

limited education and no inheritance have little recourse but to engage in low-paid, poor quality employment, which workfare makes mandatory. Thus for White, workfare marks a return to the Victorian Poor Law notion of ‘less eligibility’ whereby welfare provides no alternative to work in poor quality employment and concludes unless a society is equitable in terms of the opportunities it provides individuals, it cannot employ workfare policies without asking a disproportionate contribution from those who have the least to give. Indeed, “[w]hile workfare might be part of a fully just social order, in the context of our societies it would in fact serve only to consolidate or exacerbate existing injustice. So we should eschew it until such time as we have done a great deal more to tackle basic structural injustices” (White, 2004: 278).

Attas and De-Shalit (2004) argue that in workfare’s eagerness to encourage labour market participation, it ignores the individual cost in terms of the quality of employment. In addition, as highlighted by Anderson (2004), workfare policies are disproportionately focused on means-tested benefits which are received by the poorest in society. As a result, “[w]orkfare sustains the division between those doing decent, prestigious, and enjoyable jobs and those having to make do with unwanted jobs. It thus preserves the privilege of the well-off class, and continues the subjection of cheap labour to the production of cheap goods and services for the benefit of the well-off who can afford them. It is a fetish of production at the expense of the process of production. Unconditional welfare is based on the recognition that producing more is not the only thing that matters — the conditions under which we produce are at least as important” (Attas and De-Shalit, 2004: 320).

## **2.7 Conclusion**

This chapter addressed arguments which suggest we have in recent years witnessed the shift from decommodifying welfare practices to arrangements with an activation or workfare bias, thus embodying a recommodification approach. The literatures relating to the commodification and decommodification of labour were explored before the impetus behind the move away from the latter was addressed. The

work of Jessop (1994, 1997, 1999, 2002) outlined these exogenous and endogenous pressures behind this change before the nature of recommodification was explored and evaluated. The new institutionalist literature provides a caution against overemphasising convergence and highlights the importance of national contexts (Pierson, 1996, 2004). These policies that focus on the recommodification of labour have been critiqued on the grounds that they alter the contract between citizens and the state with welfare utilised to commodify, rather than decommodify labour. This new contract, it is argued, is inequitable as in extolling the virtues of paid employment, it neglects the contributions of unpaid work whilst forcing often insecure, poorly paid and unrewarding employment onto those who are most disadvantaged. Without the pre-requisite of equality of opportunity, workfare and activation policies potentially ask the most from those in society who have the least to give. The next chapter will narrow the focus of this literature review to address the impact of the shift to a SWPR on individuals over the age of 50.



### **Chapter 3 Ageing, Recommodification and Social Relations**

This section argues the treatment of older age individuals by social policy adds credence to the aforementioned Polanyian notion that the state and economy are intertwined (Polanyi, 1944, Block and Evans, 2005; Jessop, 1994, 1997, 1999, 2002) and that the former utilises social policy to ensure the survival to the latter. Older workers have consistently been treated in an instrumental manner by formal policies, being cast as an ‘asset’ or ‘unproductive’ when the market either requires their participation or exit. As a result, the view that older individuals should exit the labour market at a particular point is not static, instead changing in different economic climates. Thus older age individuals’ rights and responsibilities vis-à-vis the labour market are in flux. Currently, the general trend of the recommodification of labour has spread to the older age cohort with the emphasis on active ageing policies, yet attempts to achieve these targets are presented with a barrier in the form of decades of de facto and de jure early exit and retirement policies. In addition, the political economy of ageing literature stresses policy’s role in creating and maintaining differences which in turn affect how individuals experience ageing. This chapter addresses issues that surround ageing, employment and exit before the recommodification of labour through active ageing is explored and critiqued.

#### **3.1 Ageing, Welfare Arrangements and Intergenerational Conflict**

For Walker (1996), intergenerational solidarity is implicit to the welfare state with its transfers from working age people to those beyond state pension age. At the micro level<sup>8</sup>, solidaristic intergenerational relations between kin have a long lineage; at the macro level, this solidarity has been institutionalised by welfare state arrangements. However, as welfare state provision is retrenched, this macro-level solidarity may be altered and the social contract between generations adjusted. Though previously “[o]ne generation contributes to the economic development of a country, and this is taken as justifying the right to a decent standard of living in old age” (Schuller, 1996: 204), the meaning of ‘decent’ and the duration of contributions have subsequently been questioned.

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<sup>8</sup> Indeed, even at the micro level of kinship relations, policy has an important role in defining what the ‘natural’ role of the family is, as will be expanded on later in this chapter.

Whereas in the 1960s, conflict arose from the opposing values of young and older adults in relation to politics and ethics, Hunt (2005) and Walker (1996a) argue conflict is now more concerned with economics in relation to the pooling and sharing of resources. Supranational organisations are keen to stress the potential for this form of conflict. The World Bank (1994: 4) argues that the growing numbers of young poor will create an intergenerational conflict as “old retirees (some of them rich)...are getting public pensions and younger workers (some of them poor)...are paying high taxes to finance these benefits and may never recoup their contributions”. In addition, it is argued that pension arrangements are inequitable as individuals from upper income groups live longer, enter employment later and therefore recoup more over their lifetimes. As a result, pension arrangements do not redistribute from lifetime-rich to lifetime-poor and therefore the “gain in real income by one generation at the expense of a permanent loss to another generation is the intergenerational transfer” (ibid: 325). Individuals from certain income groups will therefore make negative transfers, which the World Bank argues is a threat to intergenerational solidarity. This rhetoric is becoming increasingly inflammatory, with older individuals no longer portrayed as needy, but greedy, garnering less sympathy from younger cohorts who may grow resentful of contributions to fund their lifestyle. This argument undermines contributions made over individuals’ working lives.

The contract between generations is also argued in EU-level documents to be under threat due to the numeric imbalance between the generations, with calls for the “[r]ecalibration of aims at the promotion of intergenerational justice and intragenerational equality” (Amitsis et al, 2003: 12). Society has changed and thus so should the intergenerational contract: “[d]ealing with these changes will require the contribution of all those involved: new forms of solidarity must be developed between the generations, based on mutual support and the transfer of skills and experience” (CEC, 2005: 6). Indeed, it is contended that nations run the risk of sustaining “an unbearable weight on public expenditure or to unfair burden sharing between the generations” (EC, 2000: 38). Myles (2002: 133) cautions that the move towards democratized retirement will be

reversed by neo-liberal parties, attempting to “offload the risk in retirement costs to firms and individual workers”.

Many of the fears around the sustainability of current welfare arrangements stem from the demographic ageing of national populations across Europe (as explored in Section 2.3.1). Table 3.1 shows the mean number of years still to be lived by a man or a woman who has reached the age of 65 in EU15 nations and demonstrates a rise in all countries. This broad shift towards increased life expectancy has an impact upon dependency ratios, as demonstrated in Table 3.2. The 2003 Committee of the Regions report argues strain on welfare states can be broken down into three components: ‘green’ pressure from those under 19, the working age population aged 20 to 59 who are inactive (students, disabled people and retirees) and ‘grey’ pressure from those aged 60-plus. Care for the ‘green’ generation is viewed as an investment which can be recouped via their future involvement in the labour market whereas “the elderly will play no future role in production...That they have spent the bulk of their lives creating wealth is usually ignored...in social policy terms,...financial support must be strictly rationed and controlled” (Phillipson, 1982: 17).

Table 3.1 Mean life expectancy post-65 years of age<sup>9</sup>

<b>Mean life expectancy post-65 years of age (Males)</b>												
	<b>1992</b>	<b>1993</b>	<b>1994</b>	<b>1995</b>	<b>1996</b>	<b>1997</b>	<b>1998</b>	<b>1999</b>	<b>2000</b>	<b>2001</b>	<b>2002</b>	<b>2003</b>
<b>B</b>	14.6	14.4	14.8	14.8	15	15.2	15.2	15.4	15.5	15.8	15.8	:
<b>DK</b>	14.2	14	14.3	14.1	14.4	14.6	14.8	14.9	15.2	15.2	15.4	15.5
<b>D</b>	14.5	14.4	14.7	14.7	14.9	15.2	15.3	15.5	15.7	16	:	16.1
<b>IRL</b>	13.5	13.4	13.8	13.6	13.8	14	14.1	14.1	14.6	15	15.3	15.7
<b>EL</b>	15.7	15.9	16.1	16.1	16.1	16.5	16.2	16.3	16.3	16.7	16.7	:
<b>ES</b>	15.8	15.8	16	16	16.1	16.2	16.1	16.1	16.6	16.8	16.8	:
<b>I</b>	15.4	15.5	15.6	15.8	16	16.1	16	16.2	16.5	:	:	:
<b>LUX</b>	14	14.2	14.6	14.7	14.8	14.8	15.1	15.3	15.5	16	15.9	15.5
<b>NL</b>	14.7	14.4	14.8	14.7	14.8	15	15.1	15.1	15.3	15.5	15.6	15.8
<b>A</b>	14.5	14.7	15	14.9	15.1	15.2	15.4	15.6	16	16.3	16.3	:
<b>P</b>	14.3	14.1	14.6	14.6	14.5	14.8	14.8	14.9	15.3	15.6	15.6	15.6
<b>FIN</b>	13.9	14	14.6	14.5	14.6	15	14.9	15.1	15.5	15.7	15.8	:
<b>S</b>	15.6	15.5	16	16	16.1	16.2	16.3	16.4	16.7	16.9	16.9	17
<b>UK</b>	14.3	14.2	14.6	14.6	14.8	15.1	15.2	15.3	15.7	15.9	16.1	:
<b>Mean life expectancy post-65 years of age (Females)</b>												
	<b>1992</b>	<b>1993</b>	<b>1994</b>	<b>1995</b>	<b>1996</b>	<b>1997</b>	<b>1998</b>	<b>1999</b>	<b>2000</b>	<b>2001</b>	<b>2002</b>	<b>2003</b>
<b>B</b>	18.8	18.7	19.1	19.1	19.2	19.4	19.3	19.4	19.5	19.7	19.7	:
<b>DK</b>	17.8	17.5	17.7	17.5	17.8	17.9	18.1	18.1	18.3	18.4	18.3	18.6
<b>D</b>	18.1	18.2	18.4	18.5	18.6	18.9	19	19.2	19.4	19.6	:	19.6
<b>IRL</b>	17.2	17	17.3	17.3	17.3	17.5	17.6	17.5	17.8	18.2	18.6	18.9
<b>EL</b>	18	18.3	18.4	18.4	18.6	18.9	18.5	18.7	18.3	18.6	18.7	:
<b>ES</b>	19.5	19.5	19.7	19.8	19.9	20.1	20.1	20.1	20.4	20.7	20.7	:
<b>I</b>	19.2	19.3	19.4	19.6	19.8	19.8	19.9	20.1	20.4	:	:	:
<b>LUX</b>	18.1	18.5	18.7	19.2	19.2	19	19.2	19.5	19.7	19.4	19.9	19
<b>NL</b>	19.1	18.8	19	19	19	19.2	19.2	19.1	19.2	19.3	19.3	19.5
<b>A</b>	18	18.2	18.4	18.6	18.7	18.9	19.1	19.2	19.4	19.8	19.7	:
<b>P</b>	17.5	17.3	17.9	17.8	17.8	18.1	18.2	18.3	18.7	18.9	19	18.9
<b>FIN</b>	18.1	17.9	18.6	18.6	18.7	18.9	19.1	19.2	19.3	19.6	19.6	:
<b>S</b>	19.2	19.1	19.7	19.6	19.7	19.9	19.9	19.9	20	20.1	20	20.3
<b>UK</b>	18.1	17.9	18.3	18.2	18.3	18.4	18.5	18.5	18.9	19.1	19.1	:

Source: Eurostat, 2007.

<sup>9</sup> Germany includes ex-GDR from 1991. France is not included as the data was unavailable.

Table 3.2 Dependency Ratio<sup>10</sup>

	1995	2000	2005	2010	2015	2020	2030	2035	2040	2045	2050
<b>EU15</b>	23	24.3	25.9	27.5	30.1	32.8	41.2	46.3	50	52	53.2
<b>B</b>	23.8	25.5	26.3	26.4	29.1	32.2	41.3	45.1	47.2	47.8	48.1
<b>DN</b>	22.7	22.2	22.6	24.8	28.7	31.2	37.1	40.4	42.1	42	40
<b>D</b>	22.5	23.9	27.8	31	32	35.1	46	52.6	54.6	54.9	55.8
<b>EL</b>	22.2	24.2	26.8	28	30.3	32.5	39.1	44.3	49.8	55.2	58.8
<b>ES</b>	22.3	24.5	24.5	25.4	27.7	30	38.9	45.9	54.3	63.2	67.5
<b>F</b>	23	24.6	25.3	25.9	29.5	33.2	40.7	44.1	46.9	47.2	47.9
<b>IRL</b>	17.8	16.8	16.5	17.5	19.9	22.5	28.3	31.6	35.9	40.9	45.3
<b>I</b>	24	26.8	29.4	31.3	34.3	36.6	45.2	52.4	59.8	64.6	66
<b>L</b>	20.6	21.4	21.2	21.6	22.8	24.7	31.5	35.1	36.7	36.6	36.1
<b>NL</b>	19.3	20	20.7	22.2	26	29	36.7	40.3	41.6	40.2	38.6
<b>A</b>	22.5	22.9	23.6	26.3	28.1	30.3	40.8	47.1	50.4	51.5	53.2
<b>P</b>	21.9	23.7	25.2	26.5	28.8	31.5	39	43.4	48.9	54.7	58.1
<b>FIN</b>	21.1	22.2	23.7	25.4	31.6	37	45	47	46.1	46.1	46.7
<b>S</b>	27.4	26.9	26.4	28	32	34.4	38.5	40.6	41.5	41.2	40.9
<b>UK</b>	24.3	23.9	24.4	25.1	28.1	30.3	37.4	41.4	43.8	44.2	45.3

Source: Eurostat, 2007.

Documents produced by the European Union strongly stress the potential problems demographic ageing may bring about. An ageing society is argued to lead to a decline in the working population and thus increase pressure on pensions systems and health care (CEC, 1999). The shift in national demographics is argued to be the result of falling fertility, increased longevity and the ‘baby boomer’ generation entering older age (CEC, 2005). In addition, the needs of older individuals are becoming increasingly diversified and the gender gap with respect to poverty in old age continues to increase to the detriment of women (CEC, 1999). As a result, the argument runs that social protection systems must become more attuned to these demands through a process of modernisation.

<sup>10</sup>As the ratio between the total number of elderly persons of an age when they are generally economically inactive (aged 65 and over) and the number of persons of working age (from 15 to 64).

### **3.2 Intergenerational Conflict Evaluated**

For Estes (1999a), ageing policy is a battleground with opposing forces of capitalism and democracy; she argues the former utilises the discourses of the ‘demographic timebomb’ to erode the welfare rights secured by the latter. For Estes population ageing and the associated negative effects are now defined as ‘facts’, which obscures their political nature. Estes argues: “[t]he socially constructed ‘problem’, and the remedies invoked on the policy level, are related, first, to the capacity of powerful and strategically located interests and classes to define ‘the problem’ and to press their views into public consciousness and, second, to the objective facts of the situation. Note the order of influence: power and class, first; facts, second” (Estes, 1999a: 135). Indeed, Titmuss (1955) argued that increased longevity and an ageing population should be viewed as an achievement in terms of medical advances and improved standards of living.

For Walker (1996b), the rationale behind policy retrenchment in areas such as pensions has little to do with intergenerational conflict and argues demographic timebomb arguments are manufactured so as to provide the case for retrenchment in line with ‘blame avoidance’ (Pierson, 2004). International agencies, Walker argues, are complicit in the fabricated crisis and during the 1980s, “concern about population ageing has been artificiality amplified as an economic-demographic imperative intended primarily to legitimize policies aimed at creating a new social contract between age cohorts and, more generally, restructuring the welfare state” (Walker, 1996b: 20). As a result, older people in receipt of services had to be grateful for what was on offer and younger cohorts were encouraged to provide for their own futures.

Walker (1996b) also argues that to some extent the potential for intergenerational conflict has been overplayed. Phillipson (1996) argues there is no evidence of a workers’ revolt against older dependents and thus any intergenerational conflict is constructed for political ends. Retrenchment of services for older people can be justified if it is on the back of public demands, and thus if governments argue they are taking preventative steps to minimise the potential for conflict by making minor modifications now, their actions can be justified and viewed as prescient. Indeed, Phillipson (1996: 217) argues “[t]he

subsequent break with the generational contract was not the result of conflict between generations. Instead it arose from changes (and conflict) at the level of the state as to how this population change should be assimilated”. Walker (1996b: 16) concurs, “[s]tripped of all its euphemisms the newly emerging contract between age cohorts in some western countries consists of cuts in social security for both current and future pensioners and reductions in rights of access to welfare”.<sup>11</sup> Neo-liberal nations altered their social contracts the most, utilising arguments around ‘intergenerational conflict’ to provide the rationale for the reduction of benefits and services that had previously catered for those in later life. Interestingly, ‘intergenerational justice’ was absent from the rhetoric, perhaps because spending was evenly distributed across age cohorts. Indeed, Walker argues as productivity and standards of living rise, older people should receive increases to their pension in line with real incomes, as opposed to inflation, thereby allowing them to share in the prosperity of their nation.

For Phillipson (1996), inequities between generations in terms of their current contributions need not necessarily lead to conflict. Phillipson argues intergenerational solidarity should not be seen in terms of a struggle for scarce resources but more in terms of shared needs that occur over the life course. For Hills, (1996), the welfare state distributes income across the individual’s life cycle as opposed to redistribution from one individual to another. However, what an individual has contributed over their life course is not repaid to them in old age in exact quantities as inflation means to give people exactly what they paid in would consign them to poverty and social exclusion.

Kohli (2005) argues the concerns around intergenerational conflict mask the more persistent intragenerational conflict that results from income disparities within cohorts. Indeed, “the discourse of generational equity overstates the extent and inevitability of such conflicts, and sharpens them at the expense of conflicts along the more traditional cleavages of class” (Kohli, 2005: 525). In so doing, Kohli argues the discourses around

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<sup>11</sup> When referring to the ‘social contract’, Walker is referring to the “social policy contract based on intercohort transfers of resources through the mediums of taxation and social expenditure” (Walker, 1996b: 13).

intergenerational conflict may in fact represent an attack from the right on the foundation of the welfare state.

### **3.3 Early Exit: Origins and Entrenchment**

Macnicol (2004) attributes the renewed focus on intergenerational relations and the potential for conflict to the declining activity rates for those aged 50 to 64, despite the fact that this trend began over one hundred years ago. What has changed is that early exit is becoming increasingly involuntary as manufacturing industries decline. Nonetheless, in recent years decommodifying early exit and retirement policies have come to be maligned as problematic and a potential threat to welfare state sustainability (Estes, 1999a and b). At a macro-level, early exit and retirement policies do not have wholly positive effects in that they create non-wage labour costs which hamper competitiveness, and if unemployment remains persistent, their existence result in rises in social security expenditure and increasingly early exit (Ebbinghaus, 2001).

Therefore aside from demographic ageing, an additional pressure on welfare arrangements is the increasingly early exit from the labour market, facilitated by state and occupational early retirement and exit schemes. Though Casey (1998) outlines a variety of determinants of early exit including health, mandatory retirement and earnings' rules, the availability of alternative activities and social norms, the main overarching determinant of exit is the economic situation of the nations, which establishes the degree to which routes are available. As a result of the economic crises of the 1970s and 1980s, Casey argues, early exit has become entrenched in many welfare states due to the establishment of early retirement schemes. Mirkin (1987) argues that the fact that governments tended not to reduce overall pension age thresholds implies that the early retirement schemes introduced were intended to be temporary.

Decommodification options via early exit and retirement routes did not necessarily represent benevolence towards older workers, deemed to have earned a period of leisure. Indeed, Jacobs and Rein (1994) highlight that these policies were often introduced as a means to allow firms to restructure their workforces. Ebbinghaus (2001)



dubs early exit policy as a ‘panacea’ applied to the problem of surplus labour. Again, this demonstrates the interconnectivity between the state and the market, thus for Ebbinghaus (2006) early exit is not just politics *against* markets, it is politics *for* market. Rein and Klaus (1993) argue early exit serves the interests of employers as opposed to the wider economy, allowing the restructuring of firms, as opposed to reducing youth unemployment (see also Samorodov for ILO, 1999). Though intended to be an ‘active’ labour market policy through the creation of vacancies for younger individuals, “it became a very costly passive labor market policy resulting in insufficient use, if not active disregard, of human capital and expertise” (Ebbinghaus, 2006: 203). In addition, states also introduced these policies to in part reduce the numbers of older individuals on the unemployment register (Mirkin, 1987). Taylor and Walker (1996) argue early exit should not be seen as a form of retirement but as unemployment. By characterising it as the former, governments had legitimised the focus of employment measures on those who are young and excluded from the labour market. However, the ‘lump of labour’ fallacy (Samuelson, 1980) demonstrates that the vacancies left by older workers will not automatically be filled by the young unemployed.

The early exit trend has proved stubborn with Phillipson (2004) arguing institutional ageism is the result of a ‘cultural lag’ in that early exit was introduced at a time when there was a surplus of labour and attitudes have yet to shift to the new reality of the ageing workforce and labour shortages. Phillipson (2005) argues the ascendancy of capital gains over the needs of older people has meant that the priorities of the market guide policies. This, he argues, is exemplified through the cycling of older workers into and out of the labour market as is required by the economy. Though theories that older workers are less productive have been discredited<sup>12</sup> and despite the onus on active ageing

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<sup>12</sup> Pearson (1996) argues there is no evidence that older workers are less productive and few occupations enlist those skills that decline with age. Ageing generally produces a decline in motor functions, joint mobility and a loss of muscular strength yet technology now makes work less physically taxing. In terms of cognitive abilities Baron (2006) found only perceptual speed abilities declined significantly with age, whilst inductive reasoning, numerical and verbal aptitudes remained intact until around 70 years of age on average. The ability to learn and apply knowledge do not deteriorate with increasing age and arguments about a decline in the capacity or willingness to learn are “used to rationalise decisions which are based on the perception that there is a different profitability from investments in training for older workers and for younger workers” (Davezies, 1991: 25).

policies, the trend for early exit and discrimination on the grounds of age prove persistent. However, it could be argued that the treatment of older workers represents not a cultural lag but a persistent instrumental attitude towards them as part of the ‘reserve army of labour’ (Phillipson, 1982; 2005; Taylor and Walker, 1996; Loretto et al., 2000; Duncan, 2003).

From the Marxist perspective, older workers make up part of this reserve army, vilified and glorified at times of boom and slump respectively. For Macnicol (2004) social policy has consistently been used to regulate the labour supply, thereby highlighting the interconnectivity between the state and economic spheres. Early exit is problematised when the economy requires labour and despite calls for its end, barriers to employment remain as the belief that older workers are neither in need of nor capable of employment are internalised and institutionalised. During the Second World War, older men’s participation was encouraged to replace the younger individuals enrolled in the armed forces. Post-World War II, “[e]arly retirement received a special blessing from policy-makers when the post-war period of full employment in Europe gave way to high and persistent unemployment” (Samorodov for ILO, 1999: 17). Drury (1993) argues that the labour shortages in Europe in the 1960s meant older workers were seen as dependable and as they were living longer, healthier lives, their participation in the labour market was deemed acceptable. Pearson (1996) argues the economic crisis and high unemployment of the 1970s and 1980s fashioned the early exit trend which ultimately ejected and permanently excluded older workers from the labour market. Indeed, “[p]resent policies in respect of older workers still generally consider them as a labour reserve rather than as active labour market participants. The widely used ‘early retirement’ approach is virtually a ‘hidden non-employment’ approach” (Samorodov for ILO, 1999: 32).

Linked to the changes in the treatment of older workers by social policy vis-à-vis exit and participation are notions of rights, responsibilities and desert. In periods of labour surplus when early exit is presented positively, “[o]bligation’ meant not working” (Macnicol, 2004: 301). In times of labour shortage, as is that which many nations currently face, older individuals have the responsibility to remain in the labour market

and undertake whatever measures may be necessary to achieve this (for example, training and education). At the same time, a challenge facing the drive towards active ageing is that early exit is now a social norm for many: “[i]n most developed countries the idea of a ‘right to retire’ is deeply embedded in the popular consciousness. Changing such views is acknowledged to be a difficult project requiring carrots (incentives) and sticks (punitive policies and practices)” (Mann, 2007: 285).

The move away from redistributive social policy to a more productivity-focused model has implications for older age individuals who may find rights accrued in the previous welfare system are no longer acknowledged. Welfare services available to this group are the result of feelings of intergenerational solidarity and the recognition that ageing is a risk faced by all individuals. However, this ‘intergenerational solidarity’ is a discursive tool and its meaning can be altered to imply different institutional arrangements. In addition, in an increasingly individualised system of welfare with an amplified emphasis on individual responsibility, services for this group are declining. Thus “whilst the KWNS tried to extend the social rights of its citizens, the SWPR is more concerned to provide welfare services that benefit business and thereby demotes individual needs to second place” (Jessop, 2002: 251) and as a result, older individuals may expect or need to be decommodified at an earlier age than the new regime allows. Even in times of labour market shortage, older workers are never fully integrated as they are the first facing exit when the economic situation plunges (Mirkin, 1987).

Thus at times of boom and slump, low and high unemployment, older workers are pushed into or out of employment. The view of decommodification through early exit for the good of the individual obscures the internal logic, driven by the needs of the market. Pearson (1996) suggests employers are unlikely to pay heed to warnings about the ageing population, as they are concerned with short-term gains and losses. As will be argued in the section on the political economy of ageing, the experience of ageing is bound to social policy and by virtue of the embeddedness of states and markets, is also inextricably linked to the economy (Walker and Phillipson, 1986).

### **3.4 Early Exit: Push and Pull**

Though the prevalence and social acceptability of early exit may fluctuate with economic circumstance, early exit does not present a homogeneous experience, prompting many authors to divide causal factors into ‘push’ and ‘pull’ (Duncan, 2003; Campbell, 1999). The ‘pull’ conceptions of retirement emphasise the rational choice on the part of the individual, and as Mann (2007) notes, choice is not evenly distributed. In terms of the causal factors that influence exit retirement decisions, Jepsen (2002) argues they broadly fall into two camps: those that see it as an individual process or those that argue they are the result of the interplay between the various actors including the state, the firm and the individual. The former approach casts the individual as a rational actor, weighing up the financial pros and cons of exit (Marshall and Taylor, 2005).

However ‘pull’ into exit early is not equally distributed across all sub-groups within the older age category. In terms of state-provided ‘pull’ factors (such as early retirement policies and extended benefit durations which provide de facto exit), when welfare provision is deferred to all citizens, it is a social right; when the individual behaviours of citizens are included it becomes a question of desert.<sup>13</sup> In terms of the latter, welfare arrangements create subjects to be governed, as was seen with early Poor Laws such as the British Poor Law of 1834 and the Dutch Armenwet of 1854 which divided the needy into ‘deserving’ and ‘undeserving’ and distributed relief accordingly. Fischer (2003: 67) argues “by separating populations into the deserving and undeserving groups, politicians are able to legitimize the bestowal of beneficial regulations or subsidies on the former and punishment or neglect on the latter”. The provision of early exit schemes with eligibility criteria such as contribution thresholds or for individuals employed in certain industries similarly divides older workers into deserving and undeserving. Phillipson (1982) argues it is those older individuals in lower socio-

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<sup>13</sup> Miller (1989) uses the example of a man who is a Grade C official and therefore has the right to a salary of £3,000 by virtue of this status. Miller argues if the salary is contingent on the man having been particularly hardworking, this is a question of desert. Thus rights are derived through status; desert is earned through behaviour and is “a *backward-looking concept*” (Miller, 1989: 93).

economic stratum that are at the most risk of being classified as ‘undeserving’ and marginalised.

In terms of occupational schemes, the more advantaged a position one has in the labour market, the more advantaged a position one typically has with regard to autonomy over labour market exit. Those with ‘nest eggs’ to leave for or offered a generous voluntary redundancy package are in a better position than those who find they are the first to go when their employer makes job cuts. However, there are differences in the financial incentives applied to different occupations, depending on whether the shedding of older workers is viewed as necessitous, and therefore the rational decision is more clear-cut than in others (Guillemard and Rein, 1993; Guillemard, 1995).

The more choice a person has over their participation in the labour market, the more positive the experience of retirement will be. Indeed, the choice of older workers to remain outside of the labour market and on state benefits should not be overlooked, with some wishing for a period of ‘winding down’ before state pension age (Moss and Arrowsmith, 2003). Loretto and White (2004) also found the decision to receive state benefits during older age was based on careful consideration as often these individuals had caring responsibilities and thus could not risk the relative uncertainty of employment, especially of the calibre typically open to their demographic. Yet the choice to exit from the labour market can be out of the hands of the individual and in these instances, exit comes in the form of a ‘push’. Indeed, isolating ‘pull’ from ‘push’ is complex, as though early exit schemes appear to be ‘pull’ factors in terms of their provision of financial incentives, they are in fact ‘push factors’, utilised by firms to shed excess labour (Casey, 1992; see also Künemund and Kolland, 2007). Many empirical studies have highlighted the limited role individual choice can play when exit is forced (Casey and Laczko, 1989; Walker, 1985). Townsend (1981) highlights the loss of income and status it engenders. Workers are often ejected from the labour market, particularly in occupations or industries undergoing restructuring or financial difficulties.

Age discrimination or ‘ageism’ acts as a push factor, with older workers disproportionately made redundant and barred from subsequent labour market participation. The term ‘ageism’ was first coined by Butler to denote “a process of systematic stereotyping of and discrimination against people because they are old” (in Loretto et al., 2000: 280). Macnicol (2004) argues the perception that ageism is a recent phenomenon precipitated by the economic crisis of the 1970s is flawed. Indeed, demographic and economic changes may have prompted a resurgence of interest in ageism, but did not mark its creation. For Macnicol, the ageism debate can be divided into two positions: the social justice case that argues the rights of older workers are symbolic of wider issues of inequality and second, what Macnicol terms ‘hard-nosed’ economic arguments which advocate the end of ageism to maximise labour market supply.

Yet there are some problems that are more prevalent in older generations, which can result in their ejection from the labour market. Phillipson (1982) argues that the older the generation, the lower the levels of education and therefore “[e]ach succeeding generation of young workers tends to have jobs of higher occupational status than their predecessors” (Laczko and Phillipson, 1991: 34). Over 50% of those aged 55 to 64 had no upper secondary education compared to over 30% of 35 to 44 and 25% of those aged 25 to 34 (EC, 2004: 15). Jessop (1994) argues flexibility became increasingly important during the period of post-Fordism with regard to labour power and also argues occupational structures have altered, with greater polarization between skilled and unskilled, as well as full-time and part-time workers.<sup>14</sup> Over this time, the numbers of unskilled workers have fallen whilst those classed as professional have risen (Green, 2003). Thus older workers may find their skills devalued in the current accumulation regime. In addition, older individuals may be excluded from occupational training programmes by employers as they feel they will not receive adequate return on their investment despite the fact that they are more likely to remain with one employer than their younger cohorts (Drury, 1993; Ebbinghaus, 2006). In addition, many employers

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<sup>14</sup> Thus Trade Unions found it increasingly difficult to represent workers’ interests as these no longer present a homogeneous experience.

hold the belief that older workers are less adaptable and thus are not suited to training and new working practices (Cowgill, 1974 in Avramov, 2003).

### **3.5 Push and Pull evaluated**

Künemund and Kolland (2007) argue that the decision to take retirement is influenced by a number of complex and interrelated factors, which vary according to the context and individual. As Hirsch (2003) notes, there is no simple dichotomy between the two categories with many factors interwoven together to prompt early exit, and to divide these factors into 'push' and 'pull' ignores this complex interplay. Arthur (2003) contends three factors contribute to early exit pathways: the individuals' skills, their financial situation and their health and level of disability. The ILO argues there are six reasons for early exit, including declining health, statutory provisions, disability, redundancy, ageism and economic incentives (Samorodov for ILO, 1999). In addition, the amount of push and pull an individual will experience is dependent to a certain degree on their other social characteristics, such as gender, level of disability and ethnicity. It is the effect of these factors on the experience of old age that the political economy of ageing examines.

For Phillipson (2005), the division between rational, individualised accounts of retirement and those that focus on the structural elements represents the split between theories such as role disengagement<sup>15</sup> and continuity<sup>16</sup> on the one hand, and the political economy of ageing argument on the other. The individualised approaches, Phillipson argues, are weakened by their neglect of the affect social structures have on the experience of ageing. The political economy of ageing argument developed out of the economic crisis of the 1970s, with existing theories deemed wanting in terms of providing an adequate and effective response. This approach utilises the both conflict and critical theory to focus on how economic and political structures determine the allocation of resources, and how this in turn shapes individual experience of ageing (Bengtson et al.,

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<sup>15</sup> Social disengagement theory (Cumming and Henry, 1961) argues as people age, they withdraw from social roles. Künemund and Kolland (2007) argue this approach has limited empirical evidence.

<sup>16</sup> Authors such as Atchley (1989) argue individuals retain much the same values over the lifecourse, so changing roles does not have a negative effect.

2005b; Estes, 1999a). Thus “constructions of aging and the social policies that result not only reflect, but also reproduce existing social class, gender, and racial and ethnic disparities among the old. That is, social policy on aging presently does little to alter or disturb the relations of power or the distribution of economic and other resources in the society” (Estes, 1999b: 136).

As a result, the political economy of ageing approach focuses on two key aspects: how different social classes, genders and ethnicities experience ageing and how the state is involved in the construction of old age. Though ageing is a biological fact, many of the social facets are constructions and are experienced differently by the various sub-groups that make up a particular cohort (Walker and Phillipson, 1986). In addition, “[s]ocial policies are shown to constrain citizens’ preferences, cement patterns of social inequalities and slow social change” (Meyer and Pfau-Effinger, 2006: 69). Thus social policy defines who is deserving and undeserving which perpetuates existing social divisions.

Integral to the experience of later life for the political economy of ageing literature is class. Walker and Foster (2006) argue that irrespective of the mode of accumulation, Fordist or post-Fordist, occupation is key in distributing income across the lifecourse. Occupation in turn is largely determined by education and thus the higher level of education, the higher the individual’s level of income in old age. However, the authors note that in their detachment from the labour market, class in old age is not necessarily a mirror of working life as individuals often use savings and resources as they age. Thus pensions are key in providing income in old age and the benefits of occupational schemes are contingent on employment history, creating what Titmuss (1955) termed ‘two nations in retirement’, with those with resources more likely to be younger and middle class whilst those who are female, working class and single are found lacking financially. Individuals are divided according to their employment in core or periphery labour, and Walker and Foster argue neo-liberalist globalisation will exacerbate these differences. In sum, “[t]o them that hath shall be given: the highest pensions are paid to the highest earners, and this inequality is rooted primarily in the hierarchical occupational structure”



(Walker and Foster, 2006: 46). Therefore Hunt (2005) notes that older age does not represent a homogeneous experience in that its members can be divided into ‘haves’ and ‘have nots’.

The political economy of ageing literature stresses that the experience of ageing is filtered through other individual characteristics, such as gender, and how differential treatment according to these characteristics is carried through the lifecourse. For Estes, the experiences of older women are socially constructed, characterised by choices that were highly constrained within and by three spheres: the state, the market and the family. Indeed, “[g]ender is a crucial organizing principle in the economic and power relations of the social institutions of the family, the state, the market, shaping the experience of old age and ageing and the distribution of resources to older men and women across the lifecourse” (Estes, 2005: 552).

Women’s experience of the labour market is often entwined with their family life (Carr and Sheridan, 2001; Estes, 1991b; Heinz, 2001). Gender norms traditionally emphasised the female role in caregiving within the family, which was reinforced in many nations by welfare arrangements (Bettio and Plantenga, 2004; Millar, 1999; Pfau-Effinger, 1999). Bettio and Plantenga’s article addressed the level of adult involvement in care activities in 14 European nations. Greece, Italy, Spain, Portugal and Ireland scored low on the index of formal care and high on the index of informal care, placing care within the sphere of the family. At the other end of the spectrum are Denmark, Sweden and Finland, characterised by moderate to high levels of universal formal services. Occupying mid-points in the spectrum are Austria and Germany wherein there was a reliance on private and informal care but loss of income was protected through collective agreements. The UK was placed alongside the Netherlands where informal care was important though policy makes some distinction between the levels of support offered to those caring for either children or elderly people. In addition, in Belgium and France, the reliance was on formal care as opposed to strategies to allow for the combination of employment and care.

Bettio and Plantenga (2004) contend these different care strategies have implications in terms of social and economic outcomes. For example, the cluster containing Greece, Italy, Spain, Portugal and Ireland, with its lack of provision for care, inhibits female participation in the labour market which is particularly pronounced among those with low-skills whose employment would not allow for the purchase of care services. The authors argue that this in turn does not promote the creation of jobs in the care sector which is important as “public provisions of nurseries, kindergartens, etc., have two well-known advantages over the options of mothers taking time-off or of relying on relatives: they increase the demand for care workers and are more compatible with continuous, full-time patterns of participation” (Bettio and Plantenga, 2004: 103). However, this does nothing to redress the gendered division of labour, with women instead consigned to *paid* care roles which tend to be poorly remunerated and insecure. The authors also note that the provision of care also impacts upon fertility, though they acknowledge the picture is more complex than a simple linear relationship.

Gender norms combined with the pay gap between men and women make the latter the ‘logical’ choice to provide care. However, women’s employment prospects are limited by the *expectation* they will exit at some point to provide care (Knijn and Kremer, 1997; Himmelweit and Land, 2008; Crompton et al., 2003). Thus women’s role in providing care both shapes and is shaped by their employment prospects; they are locked in a vicious cycle: consigned to lower-paid part-time positions because of the expectation that their employment will be interrupted by care, which in turn increases their likelihood of being the partner to undertake these tasks. Evandrou and Falkingham (1995) dub the results the ‘gender gap’ in terms of pay and the ‘family gap’ whereby care reduces contribution years. In addition, the effects of sexism in employment can persist into retirement as “the retired executive or doctor, who will more often be a man, will have accrued throughout his life considerable assets as a result of house ownership, investment of savings and occupational pension rights. He will be less dependent on the state” (Walker, 1986: 48). Thus older women do not have equal freedom of choice over their exit and participation in labour market, which has a knock-on effect upon well being in later life.

These inequalities are carried through into old age. Due to women's interrupted or part-time careers, they are often dependent upon their husbands in terms of state and occupational pensions to provide an adequate standard of living in old age (Meyer, 1998). Pensions, both state and occupational, assume a standardised work history and do not, therefore, take into account women's childbearing and caring roles. Indeed, "[f]ull pension entitlements assume 'life-long' careers and full and ideal labour market participation" (Frericks and Maier, 2008: 257). Women with caring responsibilities may have disjointed employment histories which impact upon their levels of poverty in later life, as pensions do little to redress the lack of recognition care receives as an area of labour during the period in the lifecycle designated for 'work'; indeed, they persist in devaluing labour within the family (Samorodov for ILO, 1999: 32). Price and Ginn (2006) and Arber's (2006) assessment of the UK's pension system demonstrates the disadvantage women face in terms of pension accrual, both state and occupational due to their disproportional role in unpaid care provision.

However, there is variation internationally in terms of the effect of care on women's employment. Indeed, a study by Harkness and Waldfogel (1999) demonstrated that in comparison with childless women and men, women aged 25-44 were less likely to be engaged in employment in Germany, France, Sweden, Finland and the UK, yet there was significant variation between the nations. In the case of the UK, the difference between the two groups of women was greatest, with 76% of those without children in full-time employment, compared to 26% of those with children. On the other hand, in the case of Sweden, this difference was less marked at 75% for childless women compared to 61% for those with children (see also Ginn, 2004). In addition, though states may encourage women to engage in paid labour, as long as their employment prospects are not equal to those of men, their pensions too will remain unequal (Meyer, 1998). Women also make up the majority of part-time workers, who receive in general lower wages (Frericks and Maier, 2008, see Table 3.3).

*Table 3.3 Persons Employed in Part-Time Employment (2004) as a Percentage of Total Employment*

<b>Country</b>	<b>Male</b>	<b>Female</b>
<i>EU15</i>	7.2	35.2
<i>B</i>	4.9	38.2
<i>A</i>	6.8	41.0
<i>DK</i>	12.5	33.9
<i>FIN</i>	8.7	17.8
<i>F</i>	5.2	30.0
<i>D</i>	6.5	41.6
<i>EL</i>	2.2	8.6
<i>IRL</i>	6.1	31.9
<i>I</i>	4.9	24.8
<i>LUX</i>	2.4	40.2
<i>NL</i>	22.5	74.8
<i>P</i>	7.0	16.1
<i>S</i>	12.4	36.4
<i>ES</i>	2.8	18.3
<i>UK</i>	10.6	44.2

*Source:* Frericks and Maier, 2008: 260.

Bengtson et al. (2005) highlight the importance of cohort membership in determining the roles women occupy vis-à-vis employment and care; younger generations may be less inclined and less expected to engage solely in unpaid care. As a result, there is considerable variation amongst older women in terms of their choice with regard to retirement. Indeed, those who entered the labour market in the 1960s (and were therefore born in the 1940s), work was still very much divided along gender lines and women often exited permanently with the arrival of children. These women had unequal access to vocational education and as a result their employment income was not sufficient to provide independence. However, those who were born in the 1960s and entered the labour market in the 1980s faced a very different picture in that opportunities for education and work had improved (Yeandle, 2001; see also Meyer and Pfau-Effinger [2006] for a methodological application of this argument). Though women from the ‘baby boomer’ generation are better educated and healthier than previous cohorts, their degree of choice regarding labour market participation is still impeded by three constraints including financial resources, care responsibilities and functional abilities (Arber, 2006).

The political economy of ageing also addresses the way various characteristics intersect and impact on the experience of ageing. Age as a source of prejudice may be compounded by other forms of discrimination to constitute a ‘double-whammy’ (Loretto and White, 2004: 12). In terms of gender, class and financial resources impact upon the amount of care women provide. Arber (2006) argues working class older age individuals will experience more grandparenting duties as their daughters and daughters-in-law may not be able to afford to purchase formal childcare, thereby impacting on their ability to be employed into their older age. In addition, care for a spouse falls primarily on women, but women’s varying ability to pay for assistance will determine the level of constraint this produces.

As the experience of ageing is bound to the individual’s labour market history, disadvantage and discrimination faced by minority ethnic groups during their working lives are carried through into old age. In the UK Bangladeshi and Pakistani men disproportionately make up the unemployed over the age of 50 (Moss and Arrowsmith, 2003). Nazroo however argues literature which suggest race and age present a ‘double jeopardy’ is over-deterministic. Nevertheless Nazroo argues “[t]he origins of the economic disadvantage of older ethnic minority people undoubtedly lie in their post-migration experiences, with employment opportunities on the whole restricted to jobs with poorer pay, poorer security and often with more limited pension rights” (Nazroo, 2006: 71).

### **3.6 The Move Away from ‘Passivity’: Active Ageing**

In light of demographic ageing and the increasing prevalence of early exit with the corresponding strain on current welfare arrangements, ‘active ageing’ policies have been presented as a solution. Walker (2002) argues social and demographic changes have created problems in four areas of social protection to which active ageing policy could provide a potential solution. First, these changes add to pressure on pension systems, though Walker acknowledges this has been somewhat overplayed in policy discourse. Second, in addition to the ageing workforce, the nature of work is also changing, thereby creating the need for new approaches such as lifelong learning and retraining. There is

also an increase in the need for social care and healthcare due to increased longevity and the decline of informal care. Finally, older people are becoming increasingly diverse and therefore a form of citizenship is required to combat the social exclusion of some sub-groups.

As the population ages, definitions of the ‘grey’ segment and what is expected of them are being altered. When initially conceived, retirement came at the end of a long career to be followed by at most a decade before death. The provision of a state pension at a set age provided a normative framework for retirement and therefore the notion of a ‘normal’ exit age is a fallacy in that the institution of retirement is relatively new and a social construction (Marshall and Taylor, 2005). With increased longevity, retirement does not accompany a period of decline as it once did and therefore “is increasingly useless as a definition of old age” (Walker and Naeyegele, 1999: 2). Yet due to rigid state pension ages, functional capacity is not the determining criteria for the length of an individual’s working life; instead their chronological age is the deciding factor. Retirement therefore became the third stage in the lifecourse, after education and employment and before dependent old age. As longevity increased, this period of retirement pre-dependent old age expanded. The term *‘troisième age’* was coined in France to apply to this period of relative good health and social participation (Guillemard and Rein, 1993).

Guillemard (2001) argues that the neat divisions between education, employment and retirement are coming unravelled with the change in economy from Fordism and increasingly flexible working lives. In addition, traditional notions of retirement have been complicated by early exit, both voluntary and involuntary as well as the end of ‘the job for life’ (Hunt, 2005). Individuals do not necessarily travel through the life course in a linear fashion- education may be returned to, sabbaticals taken- yet at the same time welfare arrangements retain their adherence to chronological age as markers of the distinct phases. As a result, Guillemard argues, the welfare state is out of step with the new flexible lifecourse.

Active ageing is a relatively new term, increasing in prevalence in the last ten years. It first originated in the United States of America in the 1960s with literature on ‘successful ageing’ which delineates “denying the onset of old age and by replacing those relationships, activities and roles of middle age that are lost with new ones in order to maintain activities and life satisfaction” (Walker, 2002: 122). This approach emerged as a response to disengagement theory, which argues as individuals age, they gradually withdraw from many social spheres and reduce the roles they take in society (Cumming and Henry, 1961; Bond et al., 1993 in Avramov, 2003b). Activity theorists countered this approach, arguing it presented an overly depressing picture and demonstrated ageing was not a barrier to leading a fulfilling and active life. When faced with a decline in their traditional roles, this approach argues ageing individuals engage in new activities in order to compensate for this loss (Havighurst et al., 1968 in Avramov, 2003b). These theorists do however highlight the very real social and environmental barriers faced by older individuals that may result in their social exclusion. Walker (2002) however highlights that the activity approach tends to homogenise older individuals and their respective abilities.

Walker (2002) argues the concept of active ageing underwent a resurgence in the 1980s under the guise of ‘productive ageing’ and shifted to include the whole life course as opposed to the latter stages. The new emphasis on the concept at this time was driven by the desire on the part of individuals to get more from their years in retirement and policy makers’ concerns at the costs of ageing on state provision. As a result this approach took a narrow, economic perspective. Walker (2002) argues the evolution of productive ageing into ‘active ageing’ occurred in the 1990s with the World Health Organisation (WHO) creating the link between activity and health.

The World Health Organisation<sup>17</sup> (2002: 12) takes a holistic approach to active ageing, defined as “the process of optimizing opportunities for health, participation and

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<sup>17</sup> The WHO is not alone in promoting a holistic approach to active ageing. Walker (2002) advocates a life course approach, focusing on all areas of life, as opposed to labour market participation. In addition, a report produced by Avramov and Maskova for the Council of Europe (2003) entitled ‘Active Ageing in Europe: Volume 1’ also stresses the importance of other non-labour market activities yet focuses largely on the latter part of individuals’ lives.

security in order to enhance quality of life as people age” and acknowledges citizens’ rights, needs and preferences. Thus it represented the move from a needs-based approach to one focused more strongly on rights whilst at the same time stressing the latter are not devoid of responsibilities. The organisation stresses the importance of quality of life in younger years for determining well being in later life. In addition, the WHO emphasises the social nature of ageing, in that the process does not occur in isolation thus making “interdependence as well as intergenerational solidarity (two-way giving and receiving between individuals as well as older and younger generations)...important tenets of active ageing” (ibid: 12). As a result the WHO definition goes further than to define activity to include “continuing participation in social, economic, cultural, spiritual and civic affairs, not just the ability to be physically active or to participate in the labour force” (ibid: 12) and has three pillars of active ageing: health, participation and security.

The approach of the WHO contrasts with the ‘productive ageing’ discourse of the 1980s which has re-emerged in supranational organisations such as the EU and World Bank.<sup>18</sup> A split can be seen between holistic approaches and those which focus on labour market participation. The latter organisations present a form of active ageing which focuses on aspects such as preventative healthcare and lifelong learning as the *means* to paid employment. Avramov and Maskova (2003: 24) for the Council of Europe makes the distinction between the “active way of spending the increased free time after retirement (e.g. World Health Organisation) others are mainly interested in economic activity as labour force participation (e.g. OECD; European Commission). In recent years a shift can be perceived from the first towards the latter preoccupation”. However, the portrayal of retirement as purely a period of passivity because it does not involve labour market participation underestimates other social roles occupied by older individuals. Retirement does not necessarily indicate inactivity; often it is a period characterised by voluntary work or care for grandchildren (Künemund and Kolland, 2007; Guillemard and Rein,

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<sup>18</sup> Equally, these organisations are not the only proponents of this approach. The Transitional Labour Market Theory (TLM) argues individuals should not be forced or enticed out of the labour market and active ageing should provide the opportunity for individuals to retrain and access new and fulfilling jobs. At the same time, flexible working options should be made available to allow individuals to work less hours or in less demanding positions (Hartlapp and Schmind, 2008: 411).



1993). Laslett (in Hunt, 2005) also argues that though a group may not be productive in the traditional sense of labour market participation, they are still consumers and thus retain an important role for societal functioning. The following section outlines the productivist perspective which is now more prevalent in EU-level policy discourse.

‘Active ageing’ first appeared in EU documents in 1999 (CEC, 1999: 6) with regard to reinforcing the employability of older workers and adapting employment rules to the ageing population. This document emphasised retirement as a constrained decision: “[o]ver the working lifetime, their risk of marginalisation and eventual exclusion from the labour market grows. In the end, older workers often find that early retirement is the only choice left to them” (ibid: 10). Yet at the same time, it suggests access to early exit pensions should be limited to “reduce the demand for and the access to early retirement schemes” (ibid: 13). Since 1999, active ageing has become a feature of many EU/EC documents and councils. A New Social Policy agenda in line with the 2000 Nice Summit’s aim to “to become the most competitive and dynamic knowledge-based economy in the world, capable of sustainable economic growth with more and better jobs and greater social cohesion” (European Commission, 2000) and the Lisbon Strategy’s aim for 70% employment (Amitsis et al., 2003) was created. The participation of older workers is seen as integral for medium- and long-term economic growth and the accomplishment of the latter target (CEU, 2004). The New Social Policy agenda heralds tighter bonds between economic and social policy “through mutually reinforcing employment, social protection and economic policies...[to] deal with the wider social and work life related implications of ageing” (CEC, 2002: 5). This knowledge-based economy also is presented as a means to improve EU citizens’ quality of life.

Measures that can be included under the umbrella of active ageing vary within the documents, but its core principles can be regarded thus: a focus on lifelong learning; policies to encourage working longer, retiring later; being active after retirement; and finally engaging in capacity enhancing and health sustaining activities (CEC, 2002). Though the 2003 report from the Committee of the Regions outlines four areas of active ageing, including employment, pensions, health and citizenship, in EU level documents,

active ageing strategies are closely linked to the pillars of adaptability and workability included in the European Employment Strategy. As a result, any measures included under the rubric of active ageing are viewed as means to the end of creating full employment. (COR, 2003: 17). In 2000, the EU Employment Guidelines invited nations to develop active ageing policies along the lines of lifelong learning and flexible working. The 2002 Guidelines went further to acknowledge the need for measures to change the attitudes of employers to older employees. Additionally, the need to make employment more attractive was included. In 2003, a fifth guideline was added to the European Employment Strategy to include ‘increasing labour supply and promoting active ageing’ (Von Nordheim, 2004). Active ageing was expanded to include access to training and education; more flexible working arrangements; campaigns to increase awareness of older workers’ potential; a removal of disincentives within the tax and benefit systems; and the improvement of the quality of work (COR, 2003).

An important strand of the EU’s active ageing agenda includes a flexibilised approach to retirement. Discourses of flexibility have permeated policy debates on demographic ageing in Europe. In cases of best practice, ‘gradual retirement’, ‘flexible working practices’ or ‘work-time adjustment at end of career’ appear frequently. It is argued that these policy options will allow national governments to reduce early exit trends, supply economies with experienced workers and provide “a ‘more gentle way’ of leaving the labour market and a ‘smooth transition to retirement’” (Platman, 2004: 182). Thus a guillotine or cliff-edge is replaced by a gentle gradient into a period of labour market inactivity. To summarize the EU’s approach to active ageing, the following policy routes have been prescribed in the technical annex of the 2006 EC report ‘Adequate and Sustainable Pension’:

Table 3.4 EU's Active Ageing Approach

Policy Area	Examples
<i>Implementing strict rules for eligibility for old-age pensions</i>	<ul style="list-style-type: none"> <li>– Increase eligibility ages;</li> <li>– increase contribution thresholds;</li> <li>– both in conjunction.</li> </ul>
<i>Rewarding deferred retirement and discouraging early retirement</i>	<ul style="list-style-type: none"> <li>– “Motivating people to make their own choices about when they retire can be considered even more efficient, than restricting the exit from labour markets by statutory retirement ages or financial disincentives” (EC, 2006: 34);</li> <li>– higher accrual rates for deferred retirement either for working beyond state pension age or contribution threshold;</li> <li>– abolition/ reduction of early retirement schemes;</li> <li>– stricter criteria for early pensions- disability or long contribution records;</li> <li>– barriers to longer working removed- age discrimination legislation.</li> </ul>
<i>Providing flexibility in retirement</i>	<ul style="list-style-type: none"> <li>– “Eroding the cliff-edge between working and retirement (which has had negative impacts for generations of workers) is an important element of increasing employment rates for older workers” (EC, 2006: 36);</li> <li>– part-time work/ reduction of working hours.</li> </ul>

Source: EC, 2006.

The EU's active ageing approach is reflected in two targets. At the 2001 Stockholm European Council, it was announced that the aim was to ensure half of those aged 55 to 64 are in employment by 2010. The following year in Barcelona, the target for an increase in the average retirement age by five years before 2010 was set. EU15 nations' progress towards these targets is featured in Table 3.5 below. Active ageing is also seen as a means to achieve the Lisbon strategy's goal of 70 percent employment.

Table 3.5 Progress Towards the Stockholm and Barcelona Targets

	Stockholm Target						Barcelona Target		
	Employment rate of older workers in 2001			Change in employment rate of older workers 1997-2001			Average exit age from the labour force in 2001		
	<i>Total</i>	<i>Men</i>	<i>Women</i>	<i>Total</i>	<i>Men</i>	<i>Women</i>	<i>Total</i>	<i>Men</i>	<i>Women</i>
<i>B</i>	25.1	35.1	15.5	3	3.4	2.6	57	57.8	55.9
<i>DK</i>	58	65.5	49.7	6.3	2.8	9.4	61.9	62.2	61.1
<i>D</i>	37.7	46.1	29.5	-0.4	-1.4	0.8	60.7	60.9	60.4
<i>EL</i>	38	55	22.5	-3	-4.1	-2.1	59.6	61.2	57.7
<i>E</i>	39.2	57.9	21.8	5.1	6.6	3.6	60.6	60.7	60.2
<i>F</i>	31.9	36.2	27.8	3.2	3.3	3	58.1	58.2	58
<i>IRL</i>	46.8	64.7	28.8	6	5.8	6.4	63.1	63.2	62.2
<i>I</i>	28.1	40.7	16.2	0	-1.6	1.4	59.4	59.6	59.2
<i>L</i>	24.4	34.8	14	0.5	-0.6	1.1	56.8	57.5	55.3
<i>NL</i>	39.6	51.1	28	7.6	6.9	8.1	60.9	61.1	60.3
<i>A</i>	28.6	40	17.9	0.1	-0.6	0.7	59.6	60	58.6
<i>P</i>	50.1	61.3	40.3	1.5	-2.2	4.4	62	62	61.5
<i>FIN</i>	45.8	46.6	44.9	9.9	8.4	11.1	61.6	61.6	61.4
<i>S</i>	66.8	69.4	64.1	4.3	4.9	3.6	62	62.1	61.9
<i>UK</i>	52.3	61.7	43.1	4	3.3	4.6	62.1	63.1	61
<i>EU15</i>	38.8	48.8	29.1	2.4	1.5	3	59.9	60.5	59.1

Source: Committee of the Regions, 2003: 24.

### **3.7 Early Exit and Exclusion: The Case for Active Ageing**

Though for some early exit from the labour market represents a positive choice, the degree of choice over participation is not equally distributed. Indeed, those older age individuals who are expelled from the labour market with limited opportunity for re-entry may find the experience detrimental. In financial terms, older unemployed people find “once their ‘golden handshakes’ have been exhausted, experience many years of poverty, with no chance of re-entering the labour market, except in the most menial of jobs” (Phillipson, 1982: 3). Differences in income for Hunt (2005) dictate different patterns of consumption which in turn produce different types of social exclusion. In their reliance on the state for income, Hunt (2005: 55) argues older individuals “become, in essence, second class citizens. Not being part of the consumer world is therefore a form of social

exclusion". In the context of early exit and extended retirement, "the 'third age' is linked today with increasing uncertainty, both concerning the degree to which old age will remain socially and financially secure, and whether people have a chance to succeed in living an old age which is meaningful" (Evers and Wolf, 1999: 42). Employment is important in Hunt's account as the financial rewards of paid work provide life chances and mark the ascension into adult life. It provides an important facet of individuals' identities and "our sense of self-esteem and personal well-being is wrapped up in the work that we undertake" (Hunt, 2005: 147). However, in a post-modern society, Hunt argues what we consume is more integral to one's identity than what we actually do. Thus for Hunt, work, leisure and consumption are three key themes and older individuals may be unduly disadvantaged in these areas.

The end of employment also heralds the end of social ties and ushers in a period of potential isolation. Employment is a means of participating and contributing to society as well as a source of social identity; its cessation may lead to alienation. The trend of early exit reinforces the negative stereotype of reduced productivity. The systematic way older workers were disengaged from the labour market through early exit policies was "a means by which society promotes its own orderly functioning by removing ageing people from 'normal' and productive roles while they are still performing them" (Hunt, 2005: 189). In terms of the unemployed older individuals, these negative views may be internalised and reduce their self-esteem.

Walker (1999) adds that with the exclusion from the labour market also comes the exclusion from collective action through Trade Unions, thereby diminishing political power. Thus Walker (1999: 8) argues "retirement operated as a process of both social and political exclusion which detached senior citizens from some of the main sources of political consciousness and channels of representation". Not all older workers are forced to take early exit; some are moved to 'lighter duties'. However, Droit and Polzhuber (1991) argue this does not protect older individuals from political marginalisation as these jobs are removed from the production process and tend to be the more precarious in times of restructuring. In addition, discourse on political participation has an activist bias and

thus is detrimental to those who may not be able to participate in traditional modes (Evers and Wolf, 1999). This raises questions as to how older individuals will make their voices heard and how they will legitimate their claims in a society that values contributions in the labour market (i.e. responsibilities over rights).

### **3.8 Active Ageing and ‘Flexibility’ Evaluated**

The questioning of traditional notions of ageing and passivity could potentially be positive, as if “ageing in later life is perceived to be associated with declining value, increasing vulnerability and powerlessness, then the older person may appear a natural victim of modern society” (Bytheway, 1995: 5). Pearson (1996: 21) concurs that though people are living longer, healthier lives, their psychological well-being is undermined by society’s conception of them as “an increasingly spent force and economic cost, rather than an experienced asset”. Indeed, as the previous section highlighted, exit from the labour market with limited re-entry prospects may be a negative experience.

However, the question then becomes what is the antithesis of passivity for older individuals? If ‘activity’ is inclusion in the labour market, should it be at any cost for any job, regardless of the skill level or emotional and financial reward it provides? As calls for ‘active ageing’ increase, the consensus around services for older people has broken down with concerns over costs ushering a new era of austerity. However active ageing has been taken narrowly, only considering economic activity in the labour market and thus “[o]nly a minority of policy makers understand active old age in terms of intensified social and political participation” (Evers and Wolf, 1999: 42). Indeed, Walker (1990) argues concerns about the ‘demographic time bomb’ have been over-emphasised so as to legitimate the ‘rolling back of the state’ and its welfare arrangements for older individuals, who instead of being rewarded for their past contributions are seen as passive recipients who will never again be productive. Thus the recognition that ageing does not correlate necessarily to passivity may be misappropriated to more pejorative ends. Indeed, a contradiction exists between emphasises on ‘active ageing’ and the negative stereotypes of ageing, thereby creating “‘dysfunctional tension’...between the elderly and the rest of society” (Walker, 1981: 75). Both of these options however have the same result: public

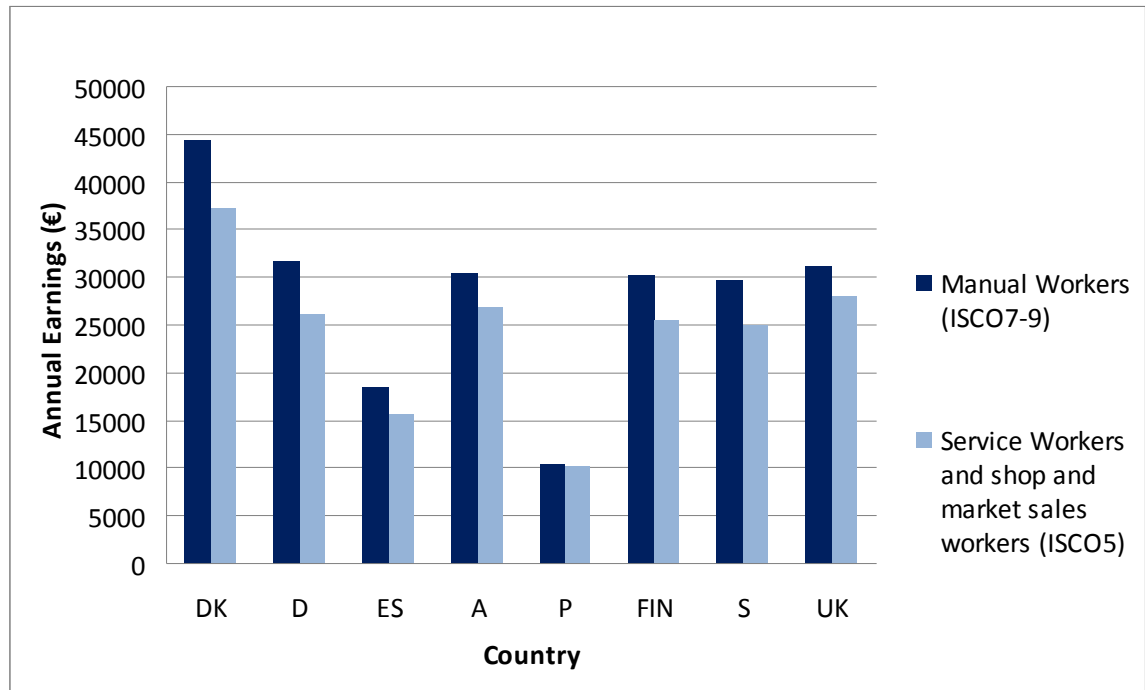
backing for the reduction in assistance for older individuals either outside or inside the labour market.

The type of work individuals are encouraged to engage in so as to be ‘active’ is an important consideration. Pearson (1996) argues a dual labour market has emerged contrasting core employment characterised by security, good conditions and terms of pay and a periphery typified by insecurity and lower wages. Indeed, Hunt (2005) argues the shift to a service economy has created two types of employment *within* this sector.<sup>19</sup> The first type, in the ‘primary service sector’, is scarcer, offers a relatively long career with security and high incomes. In the ‘secondary service sector’, the jobs are low-skilled, provide minimal benefits to employees and offer limited security. These jobs have a high risk of alienation and job dissatisfaction. Indeed, “there will be certain costs, including the degradation of a great deal of work and a considerable sense of personal dissatisfaction in order that sufficient surplus be produced to allow opportunities for leisure and high levels of mass consumption” (Hunt, 2005: 159). Hunt refers to the ‘McDonaldisation’ of employment whereby workers engage in mundane tasks and thus are not only de-skilled but de-humanised by their robotic work. These secondary service sector jobs are often mistaken for white collar employment but in actuality their wages are more similar to the manual work they replaced. As Figure 3.1 demonstrates using the ILO’s International Standards of Occupations, the wages of secondary service sector jobs such service, shop and market sales employees are lower than manual labour including employment such as craft and related trades workers; plant and machine operators and assemblers; and elementary occupations. Therefore, for those employed in the secondary sector, employment is unrewarding, low paid and has long hours, making it hard to escape through leisure time, which is important in forging identities. If older workers are disproportionately consigned to employment within the secondary service sector due to the aforementioned ageist attitudes of employers, this form of ‘activity’ will do little in terms of financial or psychological wellbeing.

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<sup>19</sup> The service sector itself represents the tertiary sector after the primary sector concerned with the extraction of raw materials and the secondary sector focused on manufacturing (Clark, 1957).

Figure 3.1: Average Annual Income in Euros by Occupation (2007)



Source: Eurostat, 2010.

Note: For lists of the International Standards of Occupations, please refer to: <http://www2.warwick.ac.uk/fac/soc/ier/research/isco88/english/groups/>

In EU documents, much is made of the notion of ‘flexible’ working and retirement as a way of gradually exiting the labour market, and in so doing, retaining some attachment to the labour market. For Platman (2004), flexibilised retirement is the panacea applied to the ‘problem’ of the ageing workforce. However, for Platman ‘flexibility’ has been poorly conceptualised and is used to cover a great many work patterns which in actuality converge to a limited degree. Indeed, “[s]pecifically in the literature on ‘the problem’ of older workers, the notion of flexible employment has come to mean any combination of non-standard work, including flexibility in the timing, place, structure and duration of employment” (ibid: 184). Platman argues little research has been undertaken as to the viability of these options and ‘flexibility’ remains ambiguous. As a result, “we are still some way from determining how much choice, fulfilment and ‘smoothness’ is involved in transitions from employment to retirement” (ibid: 185). Though policy-makers advocate various forms of flexibilised employment including job-sharing, shift working, temporary contracts, freelancing and part-time employment as a



solution, Platman questions the sustainability of this policy option and whether it can provide a 'win-win' situation for employers and older workers alike.

Flexibility for Hunt (2005) does not represent a homogeneous experience for all. For some, employment is more secure in that there is the opportunity for mobility within a company as opposed to redundancy. However for those engaged in for example clerical work, recruitment is relatively easy and employment is less secure. Platman (2004) concurs that flexible employment is less satisfying with low levels of employment protection and addresses the viability of portfolio careers whereby older individuals work for a range of clients in rapid succession. This form of employment, Platman argues, can be financially rewarding yet offers very little security or job protection. Standing (1986: 345) agrees "[s]uch jobs could provide older workers with a decent life-style, but at present they offer only precarious or inadequate livelihoods". As a result, the forms of employment promoted by the EU may actually increase in-work poverty and job insecurity and thus these individuals may in actuality become more reliant upon state benefits. Platman concludes that if governments continue to advocate flexible working arrangements, they must create corresponding arrangements to protect workers' rights.

Taylor (2004) argues the recent narrowing of avenues to early exit is equally unproductive, lacking the requisite sophistication to ensure older individuals who would retire early do not instead become part of the long-term unemployed. Therefore governments face the problem when closing off exit routes: it will merely reduce the supply and not the demand, thus shifting potential clients to different exit options such as disability schemes (Ebbinghaus, 2006). For Phillipson (2004), all recommendations for active ageing and flexible retirement are not grounded within a theoretical framework based on older workers. Indeed, the active ageing approach contains a "failure to acknowledge the social relations within which work is embedded and the forces of exploitation and exclusion which operate to the detriment of older people" (Phillipson, 2004: 190). Indeed Walker (2002) argues presently active ageing as a concept has been stretched to cover too much ground and therefore means very little. In addition, if paid work is the main form of 'activity', responsibility is shifted onto the individual thus

underestimating the various barriers in the path to labour market participation. Avramov and Maskova (2003: 25) argue “approaches to activating the elderly are based on the assumption that work is available and that each elderly worker has the competitive advantages and skills necessary to negotiate the working conditions of their choice”.

Active ageing alters the retirement contract; individuals no longer deserve payment after a long working life. Instead workers must take individual responsibility for their future (Mann, 2007; Carmel et al., 2007). Mann (2007: 281) argues “[w]hat is different is the re-framing and re-naming of the problems and solutions. Traditional concepts of citizens’ retirement rights that are underpinned by the state are being re-framed in terms of the responsibilities of individuals to plan and save for their retirement. The dream of retirement as a ‘third ager’, free of responsibilities, that citizens can expect to enjoy, is potentially undermined by calls for a longer working life”. Carmel et al. (2007) identified from EU documents the emphasis on the individual to become an ‘activated retiree’ insofar as welfare is increasingly an individual responsibility, to be secured either through extended working lives or through the purchase of services on the market.

### **3.9 Conclusion**

Chapter 2 argued the shift to workfare-focused welfare arrangements involves more than the retrenchment of welfare arrangements; it embodies a change of ethos whereby the needs of capital become supreme over the rights of citizens. The economic pessimism around the ‘burden’ created by the ageing population, Walker argues is indicative of “the subordination of social policy to economic policy and the pre-eminence accorded to the latter in the political sphere” (Walker, 1996b: 19). This chapter has argued older individuals are only depicted as burdensome and unproductive in periods of low unemployment; in times of labour shortage, their experience is deemed beneficial and they are portrayed as dependable. Thus the relationship between the life cycle and the labour market is not static and is the result of socially constructed notions of productivity and dependency. The pendulum has swung towards participation and ‘active ageing’, thereby altering the socially constructed roles for older individuals.

From the literature outlined in Chapter 2, two questions emerge: first, whether there is empirical evidence to ascertain whether this move from decommodifying welfare arrangements to the recommodification of labour has occurred; second whether this move has occurred for the reasons outlined by Jessop (1994, 1997, 1999, 2002). This thesis does not focus of causation or processes of change and therefore does not address the latter. Chapter 3 adds an additional element by focusing specifically on policies for older individuals. ‘Active ageing’ policies which focus on the EU’s two targets (Stockholm’s goal of ensuring half of those aged 55 to 64 are in employment by 2010 and Barcelona’s target of increasing the average retirement age by five years before 2010) as a means to achieve the Lisbon strategy’s goal of 70 percent employment can be seen to represent the recommodification of older individuals’ labour. The onus of this thesis is to address empirically whether the shift towards activation/workfare employment policies for older individuals can be observed in EU15 nations, thereby embodying the EU’s ‘active ageing’ approach, and the differential rights and responsibilities they bestow on the sub-groups within this category.

In addition, the literature on early exit and retirement policies can broadly be divided into two camps: those that assume these policies are negative as paid employment is positive, either financially, psychologically or socially, and those that argue that the opportunity to be decommodified is positive as paid employment is negative. In terms of the former, certainly employment can provide an individual with self-worth and income, yet at the same time for many individuals employment is precarious, stressful and poorly remunerated. By the same virtue, early exit can offer respite and the opportunity for decommodification, yet if it results in a reduced standard of living or loss of meaning, it too can have negative outcomes. Thus perhaps what is the most important consideration is the degree of choice individuals have regarding their commodification, decommodification or recommodification. Indeed,

“[a]gency is a key element of the life course...but agency has to be conceived as ‘agency within structure’...Individuals are embedded in structures and institutions.

Institutions can be and often are sources of agency by providing continuity and coherence of biographical orientations. Welfare programs, in particular, provide competencies, resources, opportunities, and individual rights that empower individuals outside and inside of the market and the family” (Leisering, 2003: 219).

This thesis therefore addresses the degree of choice individuals have regarding their labour and examines whether certain groups are disproportionately constrained within the context of the shift towards recommodifying welfare policies.

Therefore, in terms of the aims of the thesis, it intends to examine empirically the shift towards the EU’s ‘active ageing’ agenda in EU15 nations, which is taken to represent the recommodification of older individuals labour both explicitly through the creation of active labour market policies and implicitly through the retrenchment of decommodifying early exit and retirement options. As a result, there are three research questions. First, empirical data will be collected to identify general convergence, the formation of clusters, or distinct national approaches with regard this policy area in EU15 nations from 1995-2005. Second, the character of these reforms over the ten year period will be explored, reflecting the contribution of the new institutionalist literature and its focus of national divergence and the importance of policy legacies. Finally the thesis will address which sub-groups within the category of ‘older age’ are subject to the retrenchment of early exit routes and these new policies aimed at retaining and reintegrating individuals in the labour market. As emphasised by the political economy of ageing literature, the experience of ageing is not homogenous and social policy plays a role in its construction. Thus it focuses on three research questions:

- Are all nations converging towards the EU-vision of active ageing?
- What was the nature of reforms undertaken in these nations over this time period?
- Are all individuals within the category of ‘older age’ equally subject to active ageing policies?

Based on these, the following connected research aims are included:

- to examine the adoption of ‘active ageing’ policies in EU15 nations - *the spatial-temporal element*;
- to examine the character of the policy changes over time (1995 to 2005)- *the historical-dynamic element*;
- to address whether specific groups within the older age cohort are treated differentially by these policies in these nations over this time period- *the normative element*.

With regard to the first, the label ‘spatial-temporal’ refers to the focus on national policy pictures at fixed points in time, and the comparison across these countries and time periods. To move this thesis beyond providing ‘snapshots’ of policy packages in the nations under investigation, this thesis also examines the character or nature of reform over the ten year period. This element also acknowledges that reform and retrenchment may be bound within certain avenues of change by pre-existing policy contexts (Pierson, 1996, 2004) and thus seeks to establish whether particular policies follow particular paths of change. For example, this will allow the thesis to address whether early exit policies with contribution-focused eligibility criteria undergo different retrenchment paths than those which are available more universally. Thus this element takes the thesis beyond establishing whether there has been reform or retrenchment to address the form these changes take. Finally, the normative element addresses the micro-level to establish whether policy prescribes differing levels of activity for the sub-groups within the third age. Indeed, policy is integral in defining ‘normal’ activity: “Giving shape to welfare state arrangements (and reforming them) means defining, standardizing and implementing norms: it is an ongoing process of formulating what is ‘normal’. For instance, calculation norms (nationally specified formulae linked to, for example, social contributions to calculate the concrete benefits) for social entitlements refer to a specific ‘normal’ and, to a certain extent, average life course” (Frericks and Maier, 2008: 254).

The following chapter outlines the methodological approach employed by this thesis in addressing these questions.

## **Chapter 4 Methodology**

This thesis utilised cross-national comparative policy analysis to address the degree to which EU15 nations' have converged upon the active ageing agenda advocated by the EU, and as the literature regarding the recommodification of labour would suggest. In addition, so as to capture the dynamic nature of policy change, the focus included not only the policies at set points in time, but also the character of the reforms over the ten year period in order to ascertain whether, in line with new institutionalist arguments, reforms are circumscribed within 'menus of change'. In order to address the divergent policy experience of older individuals, model biographies were also employed. This chapter outlines the methodological approach in greater detail.

### **4.1 Theoretical Impetus**

Lane (1990) argues a balance must be sought between a strong theoretical foundation and a bank of empirical data. Thus at the core of any cross-national comparative research design must lie a theoretical framework to provide the rationale for the selection of the cases and the phenomenon to be studied. Indeed, "deciding criteria of selection is a profoundly difficult problem that cannot be resolved without that rare species...namely, good social science theory" (Lane, 1990: 191). The approach taken to cross-national comparative research can be either inductive whereby a theory is arrived at following empirical examination or it can be deductive with theory acting as a starting point and the empirical data utilised either to support or dispute it.

This study took a theory-led (Spicker, 2008) deductive approach, applying a synthesis of theoretical perspectives as elaborated in the preceding section. In sum, the recommodification and reserve army of labour literatures are in agreement that (older) individuals are being drawn into the labour market though the latter suggests this is part of reiterative process. Both however also demonstrate the embedded nature of states and markets in that social policy is utilised in accordance with the needs of the market. In addition, the political economy of ageing literature stresses the importance of policy in shaping the experience of ageing. As a result, perhaps not all older individuals within the

category of third age will be equally subject to the active ageing agenda; some will remain deserving of decommodification.

This research seeks to establish whether the shift towards the EU vision of ‘active ageing’ (the focus of which on paid employment represents the recommodification of labour) can be seen in EU15 nations with regard to policies for employment and retirement for older individuals. The work of Jessop (1994, 1997, 1999, 2002) has been critiqued for presenting an overly convergent picture of policy change across nations and neglecting the role of policy context in narrowing future reform options (Pierson, 1996, 2004). Pierson’s (1996) notion of policy feedback can thus be applied methodologically in two ways. First the concept could be used to discuss the relationship between the characteristics of particular programmes and the success of efforts for retrenchment. Second, an analyst could take a more macro approach and address the overarching structures of particular regimes and the relationship with specific kinds of politics. Pierson argues the former is difficult to apply in practice as “they often apply to idiosyncratic characteristics of individual programs, however, it is hard to use them to generate general propositions about variations across countries” (Pierson, 1996: 154). Yet it is this approach that is employed by this thesis in a different way than envisaged by Pierson. This thesis is not about retrenchment and reform alone; it is about addressing whether a change of welfare ethos from decommodification to recommodification is evident and therefore focuses on the function of welfare, not the processes of reform.

Therefore the thesis examines *what* has happened, not *why* it has happened as Carmel (1999) argues that understanding must precede explanation. The *character* of any reforms or retrenchment is examined both with regard to *how* labour is being recommodified and *whose* labour is being recommodified in terms of the sub-groups within the category of ‘older individuals’. Thus the aim is to address whether arguments relating to the recommodification of labour can be applied to EU15 countries in terms of policies for older individuals, if it was possible to identify whether nations form clusters, converge upon the EU’s active ageing targets or retain distinct approaches in terms of their final policy mixes. The thesis also addresses the *character* of reform or

retrenchment, i.e. the increase of age or contribution thresholds, the creation of new policies that differentiate between age cohorts and so on in order to address whether particular policies are bound within particular paths of change in line with the new institutionalist literature and also seeks to avoid reducing social policy to static ‘snapshots’ at fixed points in time. This element will also ensure the thesis does not overemphasise convergence and the expense of national divergence. It also explores whether welfare policies differentiate between individuals within this cohort in terms of the expectation to become ‘active’ as they age. It does not, as a result, examine the processes involved in the reform or retrenchment of policies.

In addition, the inclusion of ‘risk biographies’ (Meyer and Pfau-Effinger, 2006; Meyer et al., 2007; Meyer and Bridgen, 2008) or ‘model’ individuals (Bradshaw, 1994; Bradshaw et al., 1993) sought to establish the amount of choice the various sub-groups of individuals that make up the older age cohort had with reference to paid work and retirement. As Walker and Phillipson (1986: 2) state: “very little attention has been paid by policy analysts to the fundamental role of social policies in shaping the lives of older people and in, effectively, producing many of the characteristics associated with old age...the process of ageing and the experience of old age cannot be understood without reference to the elderly person’s location in the social structure and their relationship to the economy”. The inclusion of the model biographies addressed this.

Thus what is also assessed in this element of the thesis was the degree of choice sub-groups had with regard to labour market participation in terms of policy options, and upon what criteria is choice awarded. As elucidated in the literature review, the loss of choice with regard to the individual’s labour power is an important consideration. Just as being pulled into the labour market to toil in insecure, emotionally and financially unrewarding employment is negative, so too is the forced ejection from employment that offers security, a sense of self-worth and fair remuneration. The eligibility criteria for employment and retirement policies are important in terms of the underlying principles upon which notions of deserving and undeserving with regard to



decommodification are based, and therefore define who is to age ‘actively’ or ‘inactively’.

The following research topic, questions and corresponding aims were constructed to provide an anchor for the empirical data collection: ‘Recommodification, policy convergence and individual choice: An exploration of active ageing policies in EU15 (1995-2005)’. The research questions were as follows:

- Are all nations converging towards the EU-vision of active ageing?
- What was the nature of reforms undertaken in these nations over this time period?
- Are all individuals within the category of ‘older age’ equally subject to active ageing policies?

These questions correspond to the subsequent aims:

- to examine the adoption of ‘active ageing’ policies in EU15 nations - *the spatial-temporal element*;
- to examine the character of the policy changes over time (1995 to 2005)- *the historical-dynamic element*;
- to address whether specific groups within the older age cohort are treated differentially by these policies- *the normative element*.

This methodology chapter will first outline the research strategy employed before exploring broader issues relating to cross-national comparative research design and the rationale behind the selection of particular methods.

## **4.2 Research Strategy**

The thesis is comprised of two main strands which include the three main research questions. With regard to the first, this study aimed to delineate the various approaches adopted by EU15 nations with regard to employment and retirement to ascertain whether convergence, clusters or individualised strategies could be observed. The analysis contained a dynamic element, addressing the period from 1995 to 2005 and compared not only the national policies but also the reform trajectories over this period. Thus it was one

of the aims to capture the change over time and to address the issue of convergence/divergence, both in terms of policies implemented, but also the nature of reform and retrenchment. The focus therefore was on *change*, not only in terms of a comparison of nations' policies at points A and B, but also the *character* of change. However, the thesis did not explore the issue of causation. As Spicker (2008: 8) notes "[s]equence is not consequence; associations are not proof of generative mechanisms" as social phenomena are too complex to attribute generally to one causal factor. The approach this research adopted largely based on Hantrais' (1999) societal approach, with some elements on Skocpol's (1984) interpretive historical sociology strategy which will be explored in the following section.

#### *4.2.1 Cross National Comparative Methodologies*

Sociology is argued to be implicitly comparative in that our knowledge of our social world is produced through comparison (Rose, 1991; Dogan and Pelassy, 1990). Hantrais (1999) outlines three traditions of cross-national comparison. In the 1950s it was commonplace to conduct research comparing nations with the USA. These studies were fairly descriptive and treated the national contexts of these nations as largely irrelevant. At the other end of the spectrum, culturalist approaches centred on nations' uniqueness with the goal of making cross-national contrasts. This tradition was followed by that which aimed to explain similarities and differences between countries whilst acknowledging the importance of the national context, stressing the spatial-temporal causal factors for particular phenomena. As a result, this approach dispensed with the desire to create causal arguments from which generalisations could be made. The final approach occupies the middle-ground for Hantrais (1999: 94) and views social phenomena as a collection of systems and thus actors and structures cannot be separated, suggesting "social reality is also context dependent, but the context itself serves as an important explanatory variable and an enabling tool, rather than constituting a barrier to effective cross-national comparisons". This societal approach attempted to reconcile the aforementioned techniques and their respective weaknesses by assessing the consequences of these differences and similarities as a means to test a particular theory, define best practice with regard to policy and gain understanding of social practice.

Skocpol (1984) identifies three methods for combining theory and historical analysis in a comparative methodology. It should be noted however, that Skocpol does not see the three approaches as mutually exclusive, arguing that they can be combined in varying configurations. First, there is the application of a model to one or more cases, which was particularly popular in the 1950s and 1960s, as highlighted by Hantrais (1999). This approach applied macro-level theories to cross-national comparisons for the purpose of “demonstrating and elaborating the inner logic of a general theoretical model” (Skocpol, 1984: 365). The abstract concepts at the centre of the theory are operationalised and the cases considered in relation to them. Herein lies the problem: the operationalisation of concepts can appear arbitrary (Section 4.2.2 addresses the operationalisation of ‘active ageing’).

Skocpol argues the second approach, labelled ‘analytic historical sociology’, is a more convincing research methodology. With this approach, a hypothesis and alternative hypothesis are applied to selected cases as a means to explore causation or outcomes. The researcher “moves back and forth between aspects of historical cases and alternative hypotheses that may help to account for those regularities” (original emphasis, Skocpol, 1984: 374). History is therefore not analysed in terms of a pre-existing model but in terms of alternative hypotheses which can combine supposedly disparate theoretical perspectives. The creation of ‘explanatory generalisations’ are highly desirable as opposed to strict causal laws. Skocpol (1984) includes the arguments of Mill as possible approaches to analytic historical sociological research. Mill divided comparative research into two methods: the ‘method of agreement’ and the ‘method of difference’. The latter attempts to ascertain why a collection of cases, which differ in all ways with regard to the alternative hypothesis, hold the phenomenon in common. Thus the researcher adopting this strategy aims to find similarities between the selected nations in spite of their differences. The method of agreement compares cases which are similar in all areas with the exception of the phenomena under scrutiny.<sup>20</sup> The former, Skocpol argues (and

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<sup>20</sup> This distinction is akin to Przeworski and Teune’s (1970) division of ‘most similar systems design’ and ‘most different systems design’, both of which aim to establish causation.

Hopkin [2002] concurs), is superior for establishing causal relationships, but the two methods can be combined. However, as this thesis is not directly concerned with causation, it is the third method suggested by Skocpol that was most influential.

The final approach discards hypotheses and causal models to form “meaningful historical interpretations” (Skocpol, 1984: 362), an approach Skocpol labels ‘interpretive historical sociology’. This approach does not aim to create generalisations through the testing of a pre-defined hypothesis or apply theoretical models to a phenomenon. Instead the aim is to create ‘meaningful’ interpretations of history in two ways: with recognition of the culturally embedded nature of phenomenon within these settings and in a way that can be applied to the present that is “significant to the audiences, always larger than specialized academic audiences” (ibid: 368). Skocpol emphasises however, that this approach is not anti-theory as it retains a focus on carefully defined concepts. Whereas the analytic historical sociological approach aims to demonstrate causal relationships through the exploration of differences and similarities between nations, the interpretive historical sociological method uses contrasts to demonstrate the features of that context. However, this approach is prone to bias in the realm of case selection as the researcher chooses those which are more likely to reveal dramatic contrasts.

Carmel (1999) notes that Skocpol’s division of historical comparative approaches into analytic and interpretive- concerned with causation and understanding respectively- is overly divisive and implies the latter cannot address explanation. Indeed, in the separation of ‘understanding’ and ‘explanation’, as aforementioned Carmel argues Skocpol neglects that “one actually presupposes the other” (Carmel, 1999: 143). This thesis focuses therefore on addressing the “applicability, rather than that of generalizability” (Carmel, 1999: 143) of the theories outlined in Chapters 2 and 3. These literatures would imply that broadly these nations are currently shifting towards the recommodification of labour (though the reserve army of labour literature stresses this is part of a cyclical as opposed to linear process) and this thesis addresses the degree of convergence and divergence in these nations to test this assumption and therefore adopts a form of interpretive historical sociology. Elements of Hantrais’ (1999) societal approach

were also used to examine theories regarding recommodification and reserve army of labour by examining the way EU15 nations' policies were similar or different.

What was integral to this thesis was the construction of robust concepts that were applicable to the systems under comparison. The following section focuses on conceptualisation and operationalisation of recommodification and 'active ageing' in the context of this thesis before the three research aims (the spatial-temporal, historical-dynamic and the normative) are explored in depth.

#### *4.2.2 Conceptualisation: Recommodification and Active Ageing*

Cross-national comparative research is not without its problems. With regard to conceptualisation, this should be done with care to combat conceptual vagueness and an inconsistency across contexts (Hopkin, 2002: 259). Conceptualisation is therefore essential to cross-national comparative research with Dogan and Pelassy (1990: 32) arguing concepts are akin to 'buoys' and "are indispensable...It is through the creation of logical frameworks that the comparativist can make knowledge cumulative". Rose (1991) argues concepts bind countries which are disparate in terms of their geographical location and language and provide a means by which the researcher can relate one nation to another.

The language employed is therefore crucial as "[a]s we are prisoner of the words we pick, we had better pick them well...It does matter the word we choose: The 'terming' of a concept is a decision of central consequence" (Sartori, 1984: 60). Thus "[i]n order to connect empirical materials horizontally across national boundaries, they must also be connected vertically; that is, capable of being related to concepts that are sufficiently abstract to travel across national boundaries" (Rose, 1991: 447). Concepts therefore need to possess 'functional equivalence'. Sartori (1994) refers to the 'ladder of abstraction' from which concepts are selected. For example, comparing the role of a President across nations as an example of the head of state would not be a case of comparing 'like with like' as in some nations this role is more symbolic whilst in others this position occupies a great deal of power. Thus moving up ladder of abstraction, we would have to widen the

concept to include Prime Ministers in some nations, and Chancellors in others. Phenomena are not necessarily identical, yet they are functionally equivalent. Sartori warns against the perils of ‘concept stretching’ and ‘definitional sloppiness’ whereby a term is broadened to include so many contexts, it loses all coherent meaning. Indeed Walker (2002) argues ‘active ageing’ has already fallen foul of this. Landman (2000) argues the problem of an excess of variables and a dearth of nations results in a study with a limited explanatory value.

These concepts then require operationalisation in order to become a tool in cross-national comparative research. Rose (1991: 449) argues operationalised concepts “provide the critical link between empirical observations and discussions of political systems in the abstract”. For Dogan and Pelassy (1990: 24) the process of operationalisation creates “common denominators” and is a necessary precursor to the generalisations much comparative research strives for. Thus the concept here is ‘active ageing’ and the following section will provide the operationalisation through the delineation of the policies to be included under this rubric.

This thesis addresses the applicability of literature arguing there has been a shift from decommodifying to recommodifying welfare arrangements with regard to older individuals specifically through the new ‘active ageing’ agenda, and thus these terms need to be operationalised. Jessop’s (1994, 1997, 1999, 2002) work on the shift from the KWNS and SWPR does not provide an empirical account of this change, thus leaving the question of how to operationalise both modes of regulation unanswered. However, the focus of this thesis is not on the change from one mode of regulation or ‘spatio-temporal’ fix to another per se; it instead focuses on the one strand of new mode of state intervention, related to the reproduction of labour power: the workfare element. It is this element and its substitution for decommodifying welfare arrangements that is to be examined through empirical evidence, with specific reference to the older age cohort.

Chapter 3 made the link between the decline of decommodification in the form of early exit and the rise of the new ‘work-focused’ social policies and the EU’s active

ageing agenda, which emphasises the need to encourage older individuals to re-enter and remain in the labour market longer. Yet as the literature review has outlined, active ageing policies embody more than the governance of retirement to include areas such as leisure, voluntary work, health and wellbeing. For this thesis, as the focus is on recommodification and EU15 nations, the narrower, work-focused EU configuration of active ageing was adopted. Though in some EU documents, ‘active ageing’ includes a wider range of measures and services, encompassing lifelong learning; policies to encourage working longer, retiring later; being active after retirement; and engaging in capacity enhancing and health sustaining activities (CEC, 2002a), the end is ultimately to extend the working lives of those approaching retirement age. As Avramov and Maskova (2003) argue, recent years have seen the definition of ‘activity’ focus firmly on labour market participation, especially in the policy discourses employed by the EU. This focus is highlighted in the EU targets outlined at the aforementioned Stockholm and Barcelona councils. Thus the onus was on encouraging older individuals to remain in or re-engage with the labour market.

With this in mind and using the policy prescriptions outlined in Table 3.4 of the preceding chapter and the areas outlined by De Vroom’s (2004a) typology of age arrangements, the schema in Table 4.1 guided both the data collection and analysis. As this research focuses specifically on EU15, it is logical to limit the focus to the active ageing as envisaged by this supra-national organisation. To allow for the presentation of what was a great deal of data in a coherent way, the policies have been divided into two distinct categories within which there are additional sub-categories. The policies included are divided into those regarding unemployment with the sub-categories of labour market policies, including ‘benefit extension/supplement’, ‘job search exemption’, ‘ALMPs’ (active labour market policies), and pensions, including ‘state pension age’, ‘early retirement’ and ‘deferment’, as demonstrated in Table 4.1.

Table 4.1 Active Ageing Policies.

<b>Labour market policies</b>	The <b>retrenchment</b> of de facto early exit, i.e. unemployment benefit extensions/ supplements and job search exemptions.	– Closing off early exit routes (EC, 2006).
	The <b>expansion</b> of active labour market policies for older individuals.	– Barriers to longer working removed- age discrimination legislation (CEU, 2000; EC, 2006). – Part-time work/ reduction of working hours (EC, 2006). – Training (COR, 2003). – Incentives to remain in employment (EC, 2006).
<b>Pension policies</b>	The <b>reform</b> of state pension ages.	– Increase eligibility ages (EC, 2006). – Increase contribution thresholds (EC, 2006). – Flexible retirement options (EC, 2006).
	The <b>retrenchment</b> of early retirement routes.	– Abolition/ reduction of early retirement schemes (EC, 2006); – Stricter criteria for early pensions- disability or long contribution records (EC, 2006).
	The <b>expansion</b> of policies to encourage deferment (de Vroom, 2004).	– Higher accrual rates for deferred retirement either for working beyond state pension age or contribution threshold (EC, 2006).

As Table 4.1 demonstrates, early exit and early retirement are not the same thing, though in a practical sense they both represent withdrawal from the labour market. Guillemard and Rein (1993) make the distinction between retirement and early exit: the former is when an individual enters an old-age pension scheme; the latter is when an individual has stopped working but has not entered an old age pension scheme. Thus policies such as extended benefit durations and supplements as well as job search exemptions represent *de facto* early exit routes; though they do not explicitly allow for the permanent exit from paid employment, in effect individuals are able to remain detached from the labour market for an extended period. There are also *de jure* early exit schemes in the form of early retirement pensions. Those schemes that enabled individuals to exit or retire early for the purpose of this thesis are considered to be policies that allowed for the decommodification of labour; thus reforms and retrenchment working in the opposite direction, i.e. restricting access to these routes through adjustment to eligibility criteria, making them less attractive through the application of penalties as well as their closure



represent the *de facto* recommodification of labour through the removal of alternatives to paid employment. In addition, policies designed at reintegrating and retaining older individuals in the labour market such as tailored ALMPs and incentives to defer pension receipt are also defined in this thesis as policies aimed at recommodifying the labour of older individuals (however, these are *de jure* recommodifying policies).

#### 4.2.3 *The Spatial-Temporal Element*

The phenomenon under investigation has been conceptualised; now the focus turns to the nations to be studied. The spatio-temporal element of the thesis addresses the aforementioned policies in specific nations and the same points in time. With regard to the focus of comparative analysis, Lane (1990) makes the distinction between ‘thin’ or ‘thick’ (Lane, 1990) with the former defined as when the focus of the research rests on several objects with the aim of finding similarities and differences. The ‘thick’ definition extends further to include the analysis of the properties of nations. Lane also divides cross-national comparative analysis between the ‘empirically intensive’ (small N study) and the ‘empirically extensive’ (large N study). Mabbett and Bolderson (1999, in Kennet, 2001) outline three categories of cross-national comparative research. The first aims to falsify or verify hypotheses, employing macro-economic and social indicators. Thus depth is sacrificed in favour of breadth, thereby ignoring the national context. At the other end of the methodological spectrum lie micro-level studies which strive for depth and stress the importance of context, agency and reflexivity. Regime theory takes the middle ground to focus on meso-level cross-national analysis.

In terms of Lane’s (1990) division of thick and thin description, this research aims to avoid the broad statistical brush-strokes of the macro-economic approach and the particularism of micro-level studies by addressing a moderate number of nations (15) and conducting a detailed analysis of their policies regarding ageing, employment and retirement. To comply with Hantrais and Mangen’s (1996: 1-2) assertion that “a study can be said to be cross-national and comparative if one or more units in two or more societies, cultures and countries are compared in respect of the same concepts and concerning the systematic analysis of phenomena, usually with the intention of explaining them and

generalising from them”, this research used the schema outlined in Section 4.2.2 to delineate what this thesis defines as active ageing policies.

The countries included in research, Landman (2000) argues impacts directly both on the research questions and upon the findings. In addition, Landman argues the strength of inferences is correlated to the number of observations with larger samples of nations or more observations from a smaller sample improving research conclusions. The two dimensions of this study include EU15 nations and policies with regard to employment and retirement. Both Geddes (1990) and Landman (2000) argue the selection of cases on the basis of the dependent variable weakens the empirical data produced. Geddes uses the example of research assessing why nations A and B have developed at a faster rate than countries C through to G and thereby the researcher examines factors X, Y and Z as being possessed by the former and not the latter. However, such a research design provides a partial picture, examining only what A and B have in common. Thus Geddes argues nations C through G also need to be studied in order to support or falsify the claim that X, Y and Z are crucial for development. Landman (2000) adds that if the dependent variable is used as the means to select nations, the effects of that variable may be overemphasised. As a result, the nations selected for this study have diverse policy contexts with regard to employment and retirement, and thus some had greater distances to travel towards the goal of ‘active ageing’.

The nations included for comparison were Austria, Belgium, Denmark, Finland, France, Germany, Greece, Ireland, Italy, Luxembourg, Netherlands, Portugal, Spain, Sweden and the United Kingdom as part of EU15. These nations were selected in line with Sartori’s (1994: 17) argument “[t]he comparisons in which we sensibly and actually engage are thus those between entities whose attributes are in part shaped (similar) and in part non-shared (and thus, we say, incomparable)”. These nations are similar with respect to their membership to the European Union and the creation of “common institutions to which they delegate some of their sovereignty so that decisions on specific matters of joint interest can be made democratically at European level”.<sup>21</sup> These nations were also

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<sup>21</sup> [http://europa.eu/abc/panorama/index\\_en.htm](http://europa.eu/abc/panorama/index_en.htm)

member states when the Lisbon strategy was implemented, including its goal of 70 percent employment as well as the aforementioned Stockholm and Barcelona targets which relate specifically to older individuals.

In addition, the nations face similar demographic changes (though to different degrees, as demonstrated in Tables 3.1 and 3.2) and produce National Action Plans on the topic of employment in the hope of creating cross-national dialogue in the realm of social policy. The EU also creates directives on certain areas, such as anti-discrimination legislation, which nations are then given a fixed amount of time to adopt. These directives tend to prescribe certain policy ends but leave the means to the discretion of the nation-states. Social policy formation is incredibly complex with a number of causal factors and as a result, to assume the EU's active ageing model has *caused* national policy changes would result in 'crude empiricism' (Doyal and Harris, 1986 in Spicker, 2008). Therefore in terms of convergence, this thesis avoids overstating the role of the EU in social policy. Indeed, this thesis is not about causation but does use the model of active ageing as proposed by the EU as a benchmark against which to address national approaches. This is not to say the EU is the only influence on national policy reform as nations facing similar pressures may come to similar policy conclusions, independent of EU influence (see Adelantado and Calderón [2006] for a discussion of the impact of globalisation on the convergence of EU nations' welfare arrangements). Also, the nations differ not only linguistically and culturally but also in terms of the structure of policies adopted with regard older individuals, and the EU's causal relationship with national policies should not be overemphasised.

Rose (1991) argues the comparativist should approach their area of study with three questions: first, to what extent are the nations similar? Second, when do differences occur? Finally, what are the consequences of these observed differences? Using this as the core of this thesis, the questions to be addressed are then as follows: to what extent are EU15 nations similar with regard to the aforementioned active ageing policy areas and does this change over time? Are the reform trajectories similar? Second, where do their active ageing approaches and reforms differ and lastly what are the consequences of these

observed differences or similarities for older individuals? The aim of this research is to establish whether patterns can be observed between EU15 nations in relation to their active ageing approaches. Nations may be converging towards a similar model, forming distinct groups of approaches or developing wholly distinct models. Dogan and Pelassy (1990) suggest comparative researchers create a dichotomy first and then use typologies to provide the finer detail.

#### *4.2.4 A Note on Typologies*

This research did not employ existing typologies of welfare states as a method of selecting the nations for comparison. There are two main problems with existing welfare typologies: they either focus on social insurance provision and in so doing, ignore the role of personal social services or they have a bias towards the interaction of states and markets and therefore neglect the private spheres of family and kin (Abrahamson, 1999). For Abrahamson (1999: 394), social science has become a ‘welfare modelling business’ where researchers “take it for granted that the world consists of a limited number of well-defined welfare regimes”. Bradshaw et al. (1993) argue welfare typology research suffers from a number of limitations. First, the data used tends to be ‘out-of-date’, thus reducing the timeliness of the research; indeed, Esping-Andersen’s ‘Three Worlds of Welfare Capitalism’ (1990) utilised data that were ten years old (Bambra, 2006). Also, the mode and the period (in terms of the point in the business cycle) of data collection varies cross-nationally. As Arts and Gelissen (2002: 137) note that welfare states rarely are ‘pure’ types and as a result “the issue of ideal-typical welfare states cannot be satisfactorily answered given the lack of formal theorizing and the still inconclusive outcomes of comparative research”.

Whilst attempting to update perhaps the best known welfare state typology, Esping-Andersen’s three worlds of welfare (1990) with regard to decommodification, Bambra (2006) found a number of difficulties in addition to critiques of the theoretical, empirical and methodological bases of the original work (Castles and Mitchell, 1993; Arts and Gelissen, 2002). The additive nature of Esping-Andersen’s decommodification index has meant the positioning of some nations was disputed. In addition, the typology

of three regimes was determined not by the data but by Esping-Andersen's decision to classify those above, below or between one standard deviation around the mean as Social Democratic, Liberal and Conservative respectively. Bambra also highlights that the coverage variable was not treated in this way, though the rest of the variables were; calculations for data from 1998/9 demonstrate significant change in terms of the categorisation of nations if the standard deviation rule on all variables would have been used instead.

Thus it is partly due to both the weakness of existing models of welfare state typologies that nations were not selected according to their criteria. In addition, this thesis addresses policy change over a ten year period as "the welfare state is a dynamic arrangement whose interventions are determined on a structural level by the conflict between societal and economic needs and on the level of agency by social policymakers" (Meyer, 1998: 197). As Meyer and Pfau-Effinger (2006: 69) note, regime approaches are attuned to identifying differences and similarities between nations, but they are less adept at addressing policy change and therefore "regimes have acquired a static nature". Falkingham and Hills (1995) concur that analyses of welfare state arrangements miss dynamic change by focusing on the effects of transfers on particular groups in a set year. Indeed, "[c]ross-level generalizations across systems constitute macro-theory in the social sciences: to be theories of change, they also must be cross-time or historical" (Teune, 1990: 40). Meyer and Pfau-Effinger also note substantial changes to pension arrangements, which brings into doubt the validity of regime approaches as pensions are typified as the keystone of typologies. Thus to have selected nations in accordance with a pre-existing regime theory would have effectively resulted in a blinkered approach, based on models not adept at analysing change. In addition, as aforementioned, there are weaknesses in attempting to prove causation with regards to social policy.

#### *4.2.5 The Historical-Dynamic Element*

Modelling national policy alone, Spicker (1996) argues, is not a particularly satisfactory methodology. The criteria used are often vague; a criticism this research aims to avoid by providing clear indicators of the EU's vision of active ageing from the outset

(see Section 4.2.2). Categories are also static, neglecting social policy's dynamism. By addressing the character of policy reforms over the ten years, this thesis avoids this pitfall. As aforementioned, the focus of this thesis is not merely on the policies available at certain points in time; it also addressed the nature of reform and retrenchment taken over the ten year period. Data on the above policy areas adopted by the EU15 nations from 1995 to 2005 was compiled to ascertain whether a general convergence, clusters of strategies or distinctly national approaches have been taken first with regard to the policies as outputs and second in terms of the *character* of reforms undertaken. The inclusion of this element intended to first, as aforementioned, capture the dynamic nature of social policy and second to ascertain whether particular kinds of policies were bound in particular reform trajectories, as suggested by Pierson (1996, 2004). Thus the thesis goes beyond establishing *whether* moves have been made towards the active ageing agenda and the recommodification of labour to examine *how* in terms of the character of reforms or retrenchment undertaken and whether particular patterns can be identified.

The year 1995 was selected as Austria, Finland and Sweden joined the EU at this point. In addition, 1995 also saw the launch of the 'Resolution of the Council and of the representatives of the Governments of the Member States on the Employment of Older Workers', which firmly placed the ageing issue on the political agenda. The ten-year time frame provided an account of any policy shifts, acknowledging the dynamic nature of social policy.

#### *4.2.6 The Normative Element*

The second main strand of this thesis addresses the third research question and the normative aim. Bradshaw et al. (1993) argue that a descriptive approach in the social science needs to be justified. Though the spatial-temporal and historical-dynamic aims of this thesis may appear descriptive, the inclusion of the character of policy changes as an area of investigation will allow the thesis to explore the impact of policy legacies on subsequent reform paths. The second element, utilising model biographies to address the categorisation of individuals into deserving and undeserving by policy, moves the research beyond the purely descriptive in line with Spicker's (1996) normative modelling.

While Spicker acknowledges modelling can provide the basis for generalisations and a heuristic framework for thinking about welfare states cross-nationally, a normative element can provide further insight into policy change.

This thesis initially provides descriptive information as to the composition of the nations' various policies with regard to employment and retirement before addressing whether these policies result in the alteration of the degree of choice with regard to labour market participation bestowed upon its recipients, and the eligibility criteria upon which decommodification and recommodification are bestowed. As a result, the 'normative' element of this thesis refers to the ability of policy to define the characteristics of deserving and undeserving citizens through policy eligibility criteria. As outlined in the literature review, exit from the labour market does not represent a homogenous experience and this is because the older age group itself is made up of diverse groups who will experience ageing, employment and retirement differently. In turn, state policies will mediate their experience and will not interact with all sub-groups equally. Thus the aim is to address the various eligibility criteria and conditions applied to groups within the older age cohort, rather than to create sweeping generalisations about the recommodification of older individuals' labour as a whole, the differential policy treatment of these sub-groups was explored. In addition, as the literature review outlined, the level of labour market participation required of older individuals in terms of whether 'responsibility' referred to enrolment or exit is also in flux, and policy plays a role in prescribing levels of acceptable activity and passivity in old age. Therefore the normative aspect of this thesis addresses which groups within the older age cohort are deemed by policy to be deserving of decommodification and who are in need of activating through recommodifying welfare arrangements. This begs the question, if (as the policy discourse at national and supra-national levels implies) active ageing is a universal good, both for the individual and for society, why do some individuals retain the ability to become 'passive' and decommodified?

#### 4.2.7 Model Biographies

Model biographies were employed to address the normative aspect of the research aims. Meyer et al.'s (2007) edited volume on state and private pension mixes in six nations and their outcomes utilises 'risk biographies'. The aim was to address the consequences of pension reform in terms of income as a measure of social inclusion from 2003 to 2050. The authors note that existing research that employs model biographies is often overly simplified and thus underestimates the complexities of the life course. As a result, the risk biographies covered eight hypothetical individuals, yet Bridgen and Meyer (2007) note that what is 'typical' in one nation at one time may not be the case in other spatial-temporal contexts. To counter this and to address the interconnectivity of welfare outcomes as a result of marriage, the three women and five men were married to, or divorced from, each other. In earlier work that addressed pension systems in the UK and Germany, Meyer and Pfau-Effinger (2006) constructed risk biographies in accordance with the norms of the particular period and national context, so for example, in the 1960s the norm in both was for women to be married and non-employed whereas by the 1970s in the UK, part-time work for women was customary and this was also the case ten years later in Germany. This approach therefore took account of the spatial-temporal contexts when constructing the risk biographies. In this thesis, the period of time is ten years and though doubtless changes have occurred, they are not substantial enough to warrant alteration of the risk biographies employed.

Bradshaw et al.'s (1993) model family approach also provided a template for the aspect of this study which addresses the differential policy treatment of older individuals. However, Bradshaw et al. (1993) identified two weaknesses to the model families approach. First, the data identifies how policies *should* work, as opposed to how they actually do in reality. Due to issues surrounding benefit take-up, the data can only provide an idealised account. In the case of this thesis, it addresses the amount of choice an individual has in terms of the range of policy options available; it does not address the likelihood of individuals choosing one policy over another. The second disadvantage echoes Bridgen and Meyer (2007) in that "choices have to be made about the circumstances and characteristics of the model families and the more choices that are



made, the less representative the particular model families are of the range of real families” (Bradshaw et al., 1993: 23).

For this reason, and in line with the political economy of ageing arguments, the choice of model biographies for this thesis is deliberately oblique. Different contribution records were included to address the impact of labour market participation on the choices older individuals have regarding their de- and recommodification. An individual with a disjointed employment history could represent a woman with caring responsibilities, yet equally it could represent a man with a recurrent health problem, or an individual from a minority ethnic group subject to repeated racial discrimination in the workplace and consigned to a series of temporary jobs. In terms of the inclusion of two ages, this attempted to establish whether within the older age cohort there was a difference with regard to decommodification and recommodification options, i.e. were nations more likely to have and retain decommodification options for older individuals and whether younger individuals were subject to recommodification policies. In addition, in many nations, state pensions were (and remained) unharmonised for men and women, thus utilising gender as a principle upon which decommodification and recommodification was bestowed.

Where this thesis differs from the aforementioned works is in its focus. Whereas the works of Bradshaw et al. (1993), Meyer et al. (2007) and Meyer and Pfau-Effinger (2006) focused on outcomes of welfare arrangements, this thesis addresses the outputs in terms of the choice policies provide individuals in relation to their decommodification or recommodification. The data will not elaborate on the net gains and losses of particular policies and as aforementioned, policies that provide exit with only a very low level of income could not be considered positive. However, the presence of such a policy increases the choice an individual has, albeit perhaps in symbolic as opposed to a practical way. Yet the inclusion of quantitative measures of losses and gains that could be incurred by the various policies would not automatically provide an insight into the losses and gains at the individual level. To assume an individual would take the most financially expedient policy option would rely too readily on a rational choice model. Indeed,

individuals may prefer to utilise an early exit route, though it represents a loss of income, as it would provide the freedom to supply care or engage in fulfilling voluntary work. Conversely, the presence of generous early exit routes may not mean an individual would automatically leave paid work, which may provide self-fulfilment and social networks. In addition, in weighing up employment versus early exit in financial terms, an assumption would have to be made about the income from employment, which would limit the model biographies analysis to polarised occupations or would result in an extremely large data matrix. The model biographies utilised were as follows:

- the 50-plus:
  - *Laurent*: Aged 55 with 35 years of employment contributions.
  - *Jean*: Aged 55 with a disjointed employment history.
- the 60-plus:
  - *Sasha*: Aged 63 years with 35 years of employment contributions.
  - *Jude*: Aged 63 with a disjointed employment history.

In terms of the practical empirical data collection, the aim was first to establish the policies for employment and retirement available in 1995, map how these changed over the ten year period and examine the options available to the model biographies at five yearly junctures. This research utilised data from a variety of sources to build up a database on each of the EU15 nations, including academic texts, empirical data from MISSOC (Mutual Information Systems on Social Protection Systems in the EU Member States and the EEA), EU15 nations' National Action Plans, communications from organisations such as the EU, the EC and the OECD examining cases of 'best practice' on the topic of active ageing. The eligibility criteria of the various policies were also examined to ascertain whether the coverage is universal or differentiates between the different groups which make up the older age cohort at three points in time: 1995, 2000 and 2005.

Mangen (1999) warns against the use of blindly employing documentary methods, arguing they have been edited for purposes which are unlikely to be the same as the

comparative researcher has in mind. Indeed, “[g]iven that documents are produced in specific cultural and subcultural contexts, it is even more difficult for the crossnational investigator to assess this impact in interpreting data” (Mangen, 1999: 118). However, Skocpol (1984) highlights the impracticality of conducting primary data in some instances of cross-national comparative research. Instead, she advocates the use of a mix of contemporary and historical accounts of the phenomenon under scrutiny. This thesis employs a range of data sources so as to establish a clear picture of the policy situation and changes in the EU15 nations.

Though the decision to examine the eligibility criteria at five yearly junctures moved the data more toward a static approach than was ideal, a degree of parsimony was required. If the data regarding the model biographies had been presented annually, this would be provided superfluous detail as in reality policy does not change that regularly, and five yearly divisions still provided an understanding of the changes across time. Thus the research did not focus on outcomes per se in terms of net income gains or losses for individuals; at the same time, it did not solely focus on the policy packages with regard to their eligibility criteria at fixed points in time. Instead it addressed both the nature of policy changes over the period of 1995 to 2005 and *how* these changes to eligibility criteria increased or decreased the policy options available to model biographies.

### **4.3 Analysis**

The subsequent empirical section is divided into two parts: one on the EU15 nations’ policy changes from 1995 to 2005 and the other on the policies accessible by model biographies at three points in time (1995, 2000 and 2005). The empirical data on the EU15 nations’ policy changes regarding the areas including in Table 4.1 from 1995 to 2005 were collected, producing the difficulty of condensing this data in order to allow for comparison. Initially, a comparison of nations’ overall policy approaches was attempted but this proved not only difficult, it also simplified the data to such a degree that the finer details and policy nuances were lost. Again, as with the model biographies, the data had to be divided for ease of analysis and presentation in two ways. At five yearly junctures, the policies were considered, in addition to the character of reform undertaken so as not to

revert to a static policy analysis approach. Second, first analysis was undertaken regarding each policy area over the ten years to allow nations adopting similar reform paths to be grouped. This proved an easier task and was followed by a comparison of the national policy changes regarding all the policy areas, thus representing nations' active ageing approaches. The nations were then grouped into those who adopted active ageing policies in line with the EU model in a comprehensive, mixed or limited manner, taking into account both the initial policy context, the nature of reforms and the final policy packages.

In terms of the second empirical section, the model biographies are divided into 50-plus and 60-plus so as to allow for the comparison of the differences contributions made in terms of eligibility at the two ages. Following this, the four biographies were compared, allowing the examination of the significance of age in conjunction with contribution records (and also indirectly issues such as gender and working capacity).

#### **4.4 Conclusion**

This thesis adopts a cross-national comparative policy analysis approach, informed by the recommodification and reserve army of labour literatures, as well as the political economy of ageing. The thesis seeks to address whether arguments relating to the recommodification of labour and specifically adoption of the EU's active ageing agenda can be observed in EU15 nations' policy approaches to older individuals. This is reflected in the research aims which were, at the macro level, to address the degree to which EU15 nations adopted the EU's active ageing approach over the period of 1995 to 2005 and the nature of policy change over the ten years; and at the micro level, the aim was to examine the different policy options available to individuals within the older age cohort. The macro element involved the examination of policy changes in EU15 nations over the ten year period using a pre-defined schema of active ageing, informed by the literature, the EU discourse and aims. The second element implicated the use of model biographies and the collection of data relating to the eligibility criteria of the policies included in the aforementioned schema.

The subsequent chapters of this thesis present and analyse this data. The data relating to the policies of EU15 nations is presented first in Chapter 5 before Chapter 6 condenses and analyses this information. Chapter 7 then provides the data on the model biographies, first separating the two age categories before providing a cross-client comparison. Finally, Chapter 8 brings both strands of the data together to address the spatial-temporal, historical-dynamic and normative research aims, as well as the literatures explored in Chapters 2 and 3.

## Chapter 5 Empirical Findings

This chapter focuses on EU15 nations' active ageing policies and adopts the following structure. It addresses each nation first by outlining the policy context pre-1996, before delineating the changes made between 1996 and 2005. Table 5.1 below is a summarised version of the one included in Chapter 3 and outlines the policy areas addressed at the national levels.

*Table 5.1 Active Ageing Policies*

<b>Labour market policies</b>	The <b>retrenchment</b> of de facto early exit, i.e. unemployment benefit extensions/ supplements and job search exemptions.
	The <b>expansion</b> of active labour market policies for older individuals.
<b>Pension policies</b>	The <b>reform</b> of state pension ages.
	The <b>retrenchment</b> of early retirement routes.
	The <b>expansion</b> of policies to encourage deferment.

### 5.1 Austria

#### *5.1.1 Institutional setting and context pre- 1996*

In Austria, there was a mandatory pay-as-you-go pension system for all workers with the exception of the self-employed and those in very low-paid work, established as part of the General Social Insurance Act (*Allgemeines Sozialversicherungsgesetz*, ASVG). In order to receive a full standard old age pension (*Regelaltersrente*), the individual had to have worked for 40 years; the minimum period of membership operated on a principle of 'eternal eligibility' (*ewige Anwartschaft*) which applied to those who had contributed for either 180 of the previous 360 months or 300 contributions months in total and could include 'fictitious qualifying periods' (*Ersatzzeiten*), such as military service, receipt of maternity allowance (*Wochengeld*), unemployment benefits (*Arbeitslosengeld*) and sickness benefits (*Krankengeld*). The state pension age was 65 for

men and 60 for women in the years leading up to 1995 and will be harmonised by 2033.<sup>22</sup> Individuals working beyond the state pension ages would increase their pension amount by 2% from age 61-65 (for women only as the state pension age for this gender was set at 60); 3% from 66-70; and 5% from the age of 71.

With the rise of unemployment in the 1970s, 1979 saw the introduction of pre-retirement schemes for all older individuals who were unemployed and had made 20 contribution years, allowing them to exit five years prior to the pension age. In addition, disability pensions for unemployed miners (*Sonderunterstützung Bergbau*) and those engaged in strenuous night work were also introduced in this period (*Sonderruhegeld*) (Committee of the Regions, 2003; OECD, 2005a). With regard to the latter, the individual had to have been engaged in heavy night work for 20 years or 15 years within the previous 30. This scheme allowed women to exit at 52 and men at 57. The early pension for miners stipulated that they had to be aged 51 and over and had been employed in mining industry for 10 years prior to unemployment.

In the 1990s four early exit and retirement routes were introduced, allowing individuals to leave the labour market prior to the state pension age. First, since 1993 those who had contributed 180 months to the public pension scheme and had been unemployed for a year could receive the pre-retirement benefit (*allgemeine Sonderunterstützung*). This benefit provided women over the age of 54, men over 59 (with 180 insurance months) with a ‘pension’ for one year until they reached the early retirement age. In addition, all older unemployed individuals were exempt from the job search requirement of benefit receipt. There were not additional unemployment benefits or supplements available on the grounds of age. Second, those who had contributed a minimum of 420 months to a public pension scheme (of which 24 months were made in the previous 36 months) could retire five years earlier under the *Hacklerregelung für Langzeitversicherte* scheme.

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<sup>22</sup> The time frame for this harmonisation has been altered many times: until 1996, it was by 2024; from this point onwards it was changed between 2019-2028 only to be extended again in 2001 to between 2024 and 2033 (MISSOC, 1995).

Additionally, in 1993 a partial, transitional pension (*Gleitpension*) was introduced with the same conditions as the *Hacklerregelung für Langzeitversicherte* scheme and the individual received 70% of their pension amount when their working hours were reduced by 50% (OECD, 2006; MISSOC, 1995). Also a pension was in place since 1993 for those with a reduced working capacity and over the age of 55 (this is separate from the disability pension for which there was no age threshold). The individual either had to have achieved the eternal qualifying period (240 contribution months) or 180 insurance months within the previous 360, though this requirement was waived if the individual's capacity had been reduced by an accident at work. This route provided exit for those whose working capacity was reduced so as to make the engagement in the employment they had undertaken for the previous 15 years impossible (OECD, 2005a).

#### *5.1.2 Policy Changes 1996-2000*

The policy approach to older individuals began to shift and the mid-1990s are recognised as being a period of prudence with the introduction of the Austerity Programmes in 1995-1996 to curb public spending in line with Maastricht criteria. As of 1996, older individuals were no longer exempt from job search which had served to remove them from unemployment figures (OECD, 2006). Also, the pre-retirement benefit (*allegemeine Sonderunterstützung*) was technically abolished in 1996 yet due to transitional arrangements, continued to run until 2004 (OECD, 2000). Measures were also introduced in this year that focused on employers, including a 'bonus-malus' scheme (OECD, 2005a) whereby the unemployment contributions for employees between the ages of 50 and 55 were halved and completely eliminated for those over the age of 55. Accordingly, a penalty was applied to employers who made older individuals redundant on a sliding scale basis (OECD, 2005a).

New partial retirement options were made available in 1997 allowing individuals to work for 28 hours a week under the 'Solidarity bonus model' (*Solidaritätsprämienmodell*). The *Arbeitsmarktservice* (public employment service or AMS) also provided incentives for those who reduced their working hours so as to promote the recruitment of replacement labour (Federal Ministry of Education and



Cultural Affairs et al., 1998). The early pension routes (for those with long insurance records, a reduced working capacity and the long-term unemployed) were modified in this year to include a bonus-malus element, resulting in a reduction or increase of 2% for those who exited or remained in employment pre-or post-state pension age respectively. Individuals deferring their pensions for a maximum of five years would receive a lump-sum bonus from 1998. Also in 1997 the age threshold of the pension for those with a reduced working capacity was raised to 57 for men (OECD, 2005a; OECD, 2006).

In 1999, the AMS developed non-profit and private temporary work agencies for the 50-plus as well as the implementation of job coaching for older workers in the early stages of unemployment. This year also saw gradual retirement schemes improved to allow 'blocking' for employees who had worked 15 of the previous 25 years, had been with their current employers for a minimum of three months and were within five years of retirement. Under this scheme, an individual could reduce their working hours by between 40% and 60%. The employer then paid 50% of the difference between the wages which in turn was reimbursed by the state at 50% or 100% if the individual had been unemployed during the leisure phase. An individual was able to work full time for the first half of the agreed period, followed by zero hours for the second, thereby producing a lower de facto retirement age (OECD, 2005a).

The Pact for Older Persons (*Pakt für ältere ArbeitnehmerInnen*) of 1999 came into place in 2000 (OECD, 2005a; 2006). As part of this Pact, the early retirement age thresholds for the schemes for long insurance durations and the long-term unemployed were raised by two months at the start of each quarter from October 2000 to achieve an increase of 18 months by October 2002, thus from 55 to 56.5 and 60 to 61.5 for women and men respectively (OECD, 2005a; 2006). In order to increase the actual retirement age of the population, the reductions for retiring prior to the state pension age were increased from 2% to 3% and the bonus for deferment increased to 4% (Schulze and Schludi, 2007). At the same time however a route was created for those with very long insurance records (45 years for men and 40 for women) who were born before 1949 if male and 1954 if female. Thus this route would have a de facto expiration date of 2010. From 2000,

those men born in 1940 and women in 1945 (increasing by one year every year after this point) received credits which could enable access to unemployment-based early retirement without having to be eligible for unemployment assistance (Republic of Austria: Federal Ministry for Economic Affairs and Labour, 2001a). Also in this year, the pension for those with a reduced working capacity was abolished and the disability pension was therefore expanded to accommodate those who would have been eligible for the former route (OECD, 2005a; OECD, 2006).

This Pact also modified the part-time pension (*Altersteilzeit*) to provide two varieties. The *Altersteilzeitgeld* meant that women over 50 and men over 55 could receive 75% of their previous earnings when they reduced their working hours by half. The employer received a subsidy equal to 25% of the gross earnings and was obliged to find a replacement worker to make up the missing hours. The *Beihilfe zur Förderung der Altersteilzeit* policy was similar but contained no replacement criteria, provided a smaller sum for the employee and required participants be two years older than the aforementioned *Altersteilzeitgeld* (EU-Employment Observatory, 2000). As part of this scheme, older workers were able to work between 40 to 60% of their normal working hours for up to six and a half years (Federal Ministry for Labour et al., 1999a). Individuals could then receive a partial retirement grant to promote gradual retirement (Committee of Regions, 2003). In addition, any time individuals over the age of 45 took out of employment would be counted as insurance months when calculating the final pension amount.

Within this Pact, there was also a shift towards more active measures in terms of employment policy including flexible working arrangements for older employees and more targeted measures from the AMS (including the removal of age limits for training). Under section 38a of the Austrian Public Employment Service Act (*Arbeitsmarktservicegesetz*, AMSG), from 2000 onwards individuals who met the eligibility criteria for early retirement were also entitled to a place on an employment project as a means to promote continued labour market participation (Federal Ministry for Labour et al., 1999b: 20). Education benefits (*Weiterbildungsgeld*) were increased to

match unemployment benefits. However, from January 2000 under the Pact, the minimum period for taking educational leave had been reduced from six to three months for older workers (Federal Ministry for Labour et al., 1999a).

The Pact for Older Persons also created measures to retain and re-employ older individuals. The bonus-malus system with regard to employer practices was improved in October of 2000 to exempt those who recruited the 50-plus from any unemployment insurance contributions. On the ‘malus’ side, the basic amount for terminating the employment of a 50-plus employee after ten years of service was doubled (Republic of Austria: Federal Ministry for Economic Affairs and Labour, 2001a; Committee of the Region, 2003). Age discrimination received special attention in 2000 with modifications made to existing legislation to protect older workers from unfair dismissals. As of 2000, companies were obliged to inform the Labour Market Service (AMS) if they made redundant more than five 50-plus workers regardless of the size of the company. In addition, older workers who had become recently employed could appeal against the termination of their contract if it was for “socially unjustifiable” reasons (OECD, 2005a: 13) had they been re-employed for two years (pre-2003, this had only been six months).

### *5.1.3 Policy Changes 2001-2005*

In 2001, the maximum period for receipt of unemployment benefit was extended to 78 weeks for those over 50 who had contributed nine out of the previous 15 years (compared to 15 out of the past 25 years for the rest of the population) (Republic of Austria: Federal Ministry for Economic Affairs and Labour, 2001a). As part of the raft of policies introduced in 2001, the Labour Market Promotion Act (*Arbeitsmarktförderungsgesetz*, AMFG) was altered to include an ‘early warning system’ so as to prevent redundancies through subsidies, flexible working-time practices, training for older workers and part-time benefits (Republic of Austria: Federal Ministry for Economic Affairs and Labour, 2001a). In addition, a campaign and website ([www.arbeitundalter.at](http://www.arbeitundalter.at)) were launched to promote a positive image of an ageing workforce (Taylor, 2005).

By 2002 the decision taken as part of the 2000 pension reforms to raise the early retirement threshold by one and half years came into full effect, having risen at increments of two months every quarter. Thus women could retire at 56.5 at the earliest and men at 61.5. Further additions were made to Article 45 of the Labour Market Promotion Act to state that the AMS was to be informed of any redundancies of those 50-plus by the day notice was given to these employees had they been with this employer for a minimum of six months. Following this, the AMS would provide guidance in an attempt to find the individual work with their current employer or in a new job (Republic of Austria: Federal Ministry for Economic Affairs and Labour, 2002a). In 2002 severance pay was reformed to become *Abfertigung Neu* which implemented a more universal system based on contributions. This modification meant that all employees were covered as of one month, a sharp increase of the previous three year threshold. Entitlement to this protection increased over time with employers contributing 1.53% of monthly wage.

*Pensionssicherungsreform* of June 2003 included measures to tackle the problems associated with demographic ageing and pension sustainability. Special measures were introduced to prevent older people drifting into long-term unemployment. Those over 50 were offered participation in training within twelve weeks of becoming unemployed (Federal Ministry for Economics and Labour, 2003). *Aktion 56/58*, removed employers' unemployment contributions for women and men over the ages of 56 and 58 respectively. When the employee reached 60, the employers were also exempt from the surcharge levied under the Act on Wage Compensation from the Insolvency Contingency Fund (IESG) as well as contributions to work accident insurance and to the Family Burdens Equalisation Fund (Republic of Austria: Federal Ministry for Economics and Labour, 2003). Linked to this, from 2003, anti-ageism legislation was modified by applying protection in cases of dismissal to only those 50-plus employees who had been in that particular company for two years (Republic of Austria: Federal Ministry for Economics and Labour, 2004). However, employers could enforce mandatory retirement on workers who had reached state pension age (OECD, 2006).

In 2004 the unemployment insurance contributions for women over 56 and men older than 58 were waived (Bertelsmann-Stiftung Foundation, 2004b). By 2005, unemployed individuals would receive unemployment benefits for up to six months after which they could receive means-tested unemployment assistance. The *Kombi-Lohn* scheme was introduced on the 1<sup>st</sup> February 2005 and targeted at those who faced particular disadvantage in the labour market such as individuals who had been unemployed for more than one year and were either under 25 or over 45 years of age. As low wages were considered to be a barrier to encouraging these individuals to move from unemployment benefits to paid employment, this scheme allowed individuals to receive half of their previous unemployment assistance as an in-work subsidy (with a threshold of €1,000 per month). This measure, it was argued, would reduce labour costs for employers, thereby allowing the creation of more jobs (Bertelsmann-Stiftung Foundation, 2005b).

The pension reforms of 2004 and 2005 applied to all individuals below the age of 50 and came into force on the 1<sup>st</sup> January 2005 which the OECD (2005a) argues instigated the creation of a harmonised system based on individualised pension accounts. Parallel accounts were set up to allow the calculation to be weighted according to the average number of credits in the system pre- and post harmonisation (i.e. in accordance with the reforms of 2003 and the subsequent changes in 2004/5). First, the pay-as-you-go ASVG pension system was transformed into individual Pension Accounts including a new formula in addition to the revaluation of past contributions in line with economic growth. The ‘eternal eligibility’ (*ewige Anwartschaft*) was altered to allow those who had not accrued the required contribution record to only complete 180 months of which 84 could not be *Ersatzzeiten*. In addition, new periods of absence from the labour market (*Ersatzzeiten*) are included as qualifying for pension credits, such as parental leave, sickness and military service (OECD, 2005a). In order to receive a full standard old age pension (*Regelaltersrente*), individuals were required to have contributed for 40 insurance years gradually extending to 45 years by 2009. Also, the replacement rate was reduced with the increment points for each year of pension contributions falling from 2% to 1.78% until 2009. As a result, 40 years of contributions would result in a payment of

71.2% of the assessment base as opposed to the former 80%. The maximum a pension could be reduced under the reform was set at 10%. The assessment base in turn was gradually modified to take into account an increase from the best 15 to the best 40 years until 2028. The amount of pension credit awarded per child was increased from 18 months to 24 and the monthly calculation base per month will be raised from 100% to 150% of the minimum pension.

In addition, for those under 50 in 2005, a ‘retirement corridor’ for workers aged between 62 to 68 was created, with 65 acting as the reference pension age. Individuals taking their pension before the legal retirement age of 65 would experience a reduction to their pension payment of 4.2% per year with a maximum reduction of 15%. Conversely, those who delayed retirement up to 68 would receive a bonus at the same rate. Under these reforms, individuals could obtain a pension equal to 80% of revalorised lifetime earnings if they were 60 and had contributed for 45 years. Individuals could retire at 62 as long as they had made 37.5 years of contributions in line with the bonus-malus system, though the penalty and incentives were raised to 4.2%. The pension amount would also increase by 4.2% per year worked beyond the state pension age.

With regard to early exit arrangements available to those older than 50 in 2005, a number of changes were undertaken. From the second half of 2004 the early retirement age was increased by two months for every quarter, reducing to one month after 2004. In terms of the early exit route for long-term unemployed individuals, the 2004 reforms closed off this route. Thus older unemployed individuals from this point onwards were subject to the same conditionality as their younger counterparts, though they could receive additional advice tailored to their age group as unemployment benefits were no longer a de facto early exit route and the de jure schemes had also been closed off (OECD, 2005a). However, to replace the route for the long-term unemployed, a transitional benefit (*Übergangsgeld*) was introduced in 2003 to cover those who would have been eligible until 2006 (OECD, 2005a). In terms of the early retirement routes for specific groups, as of July 2004, the early retirement scheme for those with extensive insurance contributions (*Hacklerregelung für Langzeitversicherte*) was gradually phased

out with an increase of one year to the threshold until they reach the state pension age in 2014 (Federal Ministry for Economics and Labour, 2004). However, those who had been employed in heavy industry (*Hacklerregelung für Schwerarbeiter*) could retire at 60 depending upon the number of years in arduous labour until 2007 when the age threshold would be raised to 61.5 for men and 56.5 for women (MISSOC, 2004). For these individuals, exit could occur three months earlier for every year over a threshold of 15 in this kind of employment with a limit of age 60 and a smaller reduction of 2.1% per year.

## **5.2 Belgium**<sup>23</sup>

### *5.2.1 Institutional setting and context pre-1996*

The Belgium pension system operated on a PAYG principle for all employees. In the 1990s, Belgium was the only EU15 nation aside from Sweden to have a flexible pension age, having introduced a system in 1991 to allow men and women to exit from the age of 60 and still receive a retirement pension (*pension de retraite/ rustpensioen*). In principle the retirement ages were set at 60 for women and 65 for men in order to allow the individual to have accrued sufficient contribution years for a full pension (40 years for women, 45 years for men). Therefore individuals who took the flexible option would experience a reduction of 1/40<sup>th</sup> and 1/45<sup>th</sup> of the pension amount for every year prior to state pension age (60 or 65) if they were female or male respectively (OECD, 2005b).

Belgium had two main exit routes from the labour market that contributed to the low participation rate of older workers: unemployment insurance for older unemployed individuals and the conventional bridging pension for cases of dismissal (*pré-pension conventionnelle*) (Committee of the Regions, 2003<sup>24</sup>). As a general rule, in order to receive the latter pension, the individual had to be at least 58 years of age, have been made redundant and exited entirely from the labour market. The employer was obliged to

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<sup>23</sup> Belgium is characterised by regional differences between Flanders, Wallonia and Brussels in terms of policies. This section however addresses the policies implemented on a national scale.

<sup>24</sup> The Disablement Insurance Act is not included here as it is open to all ages.

replace the older individual with an unemployed individual. If an industry was in economic difficulty, the employee could be 52 years old and the employer was not obliged to replace them. For enterprises declared to be in the process of reorganisation, the individual could be between 52 and 55 years of age and the employer was exempt from the replacement obligation (MISSOC, 1995). In these cases, a supplement (*indemnité complémentaire/ aanvullende vergoeding*) of half of the difference between previous earnings and unemployment benefits was added to the conventional state unemployment benefits. This supplement was covered by the employer, whilst the state provided the unemployment benefit; thus the *prépension conventionnelle* was co-funded (MISSOC, 1995).<sup>25</sup>

In terms of early exit, for older individuals who were unemployed with a contribution record of 20 years there was a supplement (*complément d'ancienneté*) after the first year on unemployment benefits and an exemption from the job search requirement of unemployment benefit receipt. As of 1985, in Belgium those aged 55 and those aged 50 who had been unemployed for two years due a reduced working capacity were exempt from the job search requirement of benefit receipt. There was also the option of a partial pension (*prépension conventionnelle à mi-temps*) for those over the age of 55 who would be allowed to work part-time whilst receiving a supplement covered partly by the unemployment insurance scheme and partly by the employer. The employer was also obliged to replace this individual with someone from the unemployment register.

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<sup>25</sup> In addition to the main routes, there were career breaks (*interruption de carrière*) and 'Canada Dry' retirement routes (OECD, 2005b). With regard to the former, sometimes included as a fourth early retirement route (Hemerijck et al., 2000), this scheme was introduced in 1985 to allow those over the age of 50 to work part-time for three years. This was altered in 1993 to allow those age 55 to work part time until the age of 60 when they could have exited early. The employer was required to replace the individual with an unemployed individual in order to receive a state subsidy (Lafoucrière, 2002: 51). The career break scheme was mainly utilised by those unable to qualify for other early retirement routes, principally women (Hemerijck et al., 2000). The 'Canada Dry' schemes allowed employers to dismiss older workers who would then receive unemployment benefits plus an additional supplement paid by their former firm. This, Taylor (2005: 11) argues "acts as a form of early retirement but avoids the usual legal constraints and places most of the cost on the state's unemployment funds. It is usually granted to older employees who do not fulfil the legal requirements for a conventional pre-pension".



### 5.2.2 Policy Changes 1996-2000

In 1996, the aforementioned option of early exit via the conventional early retirement pension (*prépension conventionnelle*) in cases of dismissals was extended to those aged 50 in exceptional circumstances (OECD, 2005b). 1997 saw a number of changes to the Belgian pension system, including the removal of the flexible pension age. After this point, the pension ages for women in the private sector and public sectors were progressively raised from 60 to 65 by 2009 (OECD, 2006). In addition, the number of contribution years required for a full pension was also increased for women to become harmonised with men over this period (MISSOC, 1995-2005; OECD, 1997; 2005). Individuals were able to exit from the labour market at 60 years of age and receive the standard pension (*pension de retraite/ rustpensioen*) providing they were able to demonstrate that they had worked for a minimum of 20 years. This contribution threshold was increased gradually to eventually reach 35 years by 2005 (OECD, 1997; MISSOC, 1998). However, the individual would incur a penalty of 4.2% per annum (OECD, 2006).

In terms of active labour market policies for older individuals, since 1997 employer's social security contributions for older workers were reduced in certain sectors (the *Maribel* scheme). However, unemployment benefit supplements paid to the 50-plus were reduced for certain sub-groups below the age of 58 (Belgium, 1999). In 1998, there were policies in place to encourage the employment of older workers (OECD, 2005b). The progression-to-work programmes were available for those who had been unemployed for more than 24 months and provided them with the opportunity to work in the public sector and a recruitment advantage scheme whereby the Regions and the employer covered the wages of the individual (Belgium, 1999). From 1998, those over 25 and low skilled were allowed to access this programme earlier than the 24 month threshold (Belgium, 1999). In February 1998, Belgium introduced anti-ageism legislation to cover the field of employment.

In 1999 the *Maribel* scheme which lowered the social security contributions for those sectors subject to international competition was replaced by 'structural reductions in contributions' for those on low pay because former scheme was deemed by the EU to

interfere with fair competition (Vandenbroucke and vander Hallen, 2002). In 1999 part-time work was recommended as a means to gradually exit from the labour market and the narrow career break scheme (open to only 3% of the workforce) was replaced with an universal time-credit scheme, which could also smooth the retirement transition (Vandenbroucke and vander Hallen, 2002). Simultaneously, in 1999 older workers were placed in vacancies that had proved difficult to fill (Committee of the Regions, 2003). However, perhaps counter to these reforms, the category of ‘older unemployed’ (*chômeurs âgés*) who received additional unemployment benefits if they had worked for 20 years or more was created (OECD, 2005b; 2006).

As of July 2000, individuals over 45 and applying for work would warrant a reduction in their potential employers’ social security contributions for five years under the *plan avantage à l’embauche*. This scheme provided employers with a reduction to the social security contributions paid by employers for employees they recruited who had been unemployed for twelve months. If the individual had been unemployed for more than 24 months, the employer received a greater reduction (Belgium, 1999). In addition, for those older unemployed who re-entered the labour market at a lower wage than they were previously accustomed to, they would receive social security benefits in the event of unemployment based on these previous wages (Belgium, 2002). In this year, the career duration threshold that permitted exit with a full pension was at 42 years for women whilst for men it remained at 45. From this year onwards, the duration requirement for women was harmonised to that of men. The increase would be gradual: from 2000 to 2002, it would increase to 42 years; then to 43 years from 2003 to 2005; to 44 years from 2006 to 2009 and 45 years from 2009 onwards (MISSOC, 2000; OECD, 2005b). In addition, the pension age for women had been increased to 62 by the year 2000.

Somewhat paradoxically, in terms of policies to aid firms’ restructuring at the expense of older individuals’ participation, the early exit scheme that allowed employers to make those over 58 redundant if replaced by an unemployed individual was modified in 2000 to stipulate that the older person had to be eligible for unemployment benefits

(*allocations de chômage*) (OECD, 2005b). However, by 2000, the requirement for the *pension de retraite/ rustpensioen* had increased to 28 years.

### 5.2.3 Policy Changes 2001-2005

In 2002, a scheme called '*Activa*' was introduced to replace the *plan avantage à l'embauche*. As with the previous scheme, employers who recruited those over the age of 45 who had been unemployed for a long period of time received a partial exemption from social security contributions for a maximum of five years. These individuals were entitled to an employment subsidy as part of the programme (OECD, 2005b and Belgium, 2003). In addition, July of this year saw the repeal of the job search exemption for those aged between 50 and 57 who were newly unemployed; those already exempt would not have been required to re-register with the unemployment agency (Merla, 2004).

The state pension age for women continued to increase to 63 by 2003. In addition, the contribution record for women who could receive the full pension was extended to 43 years and the threshold for the *pension de retraite/ rustpensioen* had been raised to 32 years, increasing by two years every year after that and thus by 2005 had reached 35 years (MISSOC, 1995-2005; OECD, 1997; 2005). The category of 'older unemployed' (*chômeurs âgés*) who received additional unemployment benefits was modified in 2004 to include those aged 58 or those already unemployed with 38 years of contributions (OECD, 2005b; 2006). In addition, as a result of the age-discrimination legislation introduced in 2004, there was no longer mandatory retirement in the private sector (OECD, 2006).

## **5.3 Denmark**

### *5.3.1 Institutional setting and context pre-1996*

Denmark's National Pension (*Folkepension*) was viewed as a right of all citizens, in addition to the Supplementary Pension (*arbejdsmarkedets tillægspension*, ATP) which was compulsory for all individuals working more than nine hours per week. Those on benefits, including early pensions could however opt to contribute to the latter scheme. The National Pension provided a flat-rate benefit whilst the Supplementary Pension was linked to contribution years. Comparatively, these pensions had high age thresholds at 67 years of age for both genders (Walker, 1993).

In Denmark, there were two main early exit routes. The first, the early social pension/anticipatory pension (*førtidspension*), allowed individuals to exit early following a medical statement certifying a loss of employability.<sup>26</sup> This scheme was introduced in 1984 and merged the invalidity and widowers' pensions. This pension could be received by those aged from 50 to state pension age (67 in 1995) on the grounds of health (incapacity of at least 50%) or social (unemployment, poor training or limited income prospects) reasons. For individuals under 60, there was the basic sum (*grundbeløbet*), a pension supplement (*pensionstillægget*) and early retirement sum (*førtidsbeløbet*) (Tikkanen, 1998b; Jensen, 2004; MISSOC, 2001).

Second, the voluntary early retirement pension/VERP (*efterløn*) allowed the individual to choose to retire between the ages of 60 and 67 (Jensen, 2004). The rate of this pension was similar to those for unemployment benefits. This pension had a contribution requirement of 20 of the previous 25 years and the benefit was distributed in two steps: in the first stage of two and a half years it was equivalent to the unemployment benefits, followed by a reduced second phase at 80% of unemployment benefits. The individual was permitted to work up to 200 hours per year (Hansen, 2002).

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<sup>26</sup> In addition, there was a disability pension scheme open to those aged 18 to 66 and though its claimants were predominantly older, Hansen (2002) argues it cannot be seen as an early exit route in the strictest sense.

To cater for those ineligible for a voluntary early retirement pension/VERP (*efterløn*), the part-time (*delpension*) pension was introduced in 1987 (Jensen, 2004). This partial pension was for those aged 60 to 64 who permanently resided in Denmark and had been working for at least seven hours a week over the previous nine months. The reduction in working time had to be between twelve and 30 hours (OECD, 2005c). In addition, the transitional allowance or ‘very’ early retirement scheme (*overgangsydelse*) was introduced in 1992 for those aged 55 to 59 who were long-term unemployed yet had been a member of an unemployment insurance scheme for 20 years over their working lives. The benefit amount corresponded to 80% of the unemployment benefit; the same as for phase two of the voluntary early retirement pension/VERP (*efterløn*) (Hansen, 2002; Jensen, 2004). Individuals enrolled on this programme received a transitional allowance until the state pension age of 67; these individuals could not enter the early retirement scheme that commenced at 60 years of age (Drury, 1993). This rule was altered in 1994 to include those from the age of 50 upwards (OECD, 2005c).

Different rules applied for those over the age of 50 with regard to the unemployment benefit durations. In general, individuals who were insured and found themselves unemployed were entitled to benefits for two periods, initially four years, and then three. The individual was also interviewed by a PES officer within six months, with those felt to be at most risk of long-term unemployment targeted first. After this six month period, if the individual was still unemployed, they would be obliged to engage in an activation measure (Ministry of Economic Affairs and Ministry of Labour, 2002: 30). Individuals over the age of 50 could however, remain on benefits until they reached the age of 60 and could thus access an early pension. They were also exempted from the job search requirement of benefit receipt and the right to participation in activation measures. This was known as the ‘50-59 rule’ (Hansen, 2002). Yet for those who became unemployed over the age of 60, the unemployment benefit duration was limited to 2½ years. It is as a result of these age limits that Drury (1993) argued Denmark was guilty of age discrimination. In addition, those 60 and over were barred from schemes that provide the start-up costs for self employment and the ‘job offer scheme’.

### 5.3.2 Policy Changes 1996-2000

Between 1996 and 2000, a series of changes were introduced regarding the early exit routes and labour market opportunities for older individuals. With regard to the transitional income-related pension (*overgangsydelse*), this policy was barred to new entrants in 1996 but those already enrolled could continue until they reached the age of 60, thus allowing the scheme to be entirely phased out by 2006 (OECD, 2006; Ministry of Economic Affairs and Ministry of Labour, 2002). In addition, older workers were encouraged to engage in activation measures. From 1997, in an attempt to reduce early exit, the local authorities were required to first offer rehabilitation or reintegration measures, with retirement as the last resort (OECD, 1997). An individual had a duty to participate in an activation programme after two years of unemployment. The flexjob scheme allowed those aged 60 and over who were eligible for unemployment insurance fund for 20 of the past 25 years to engage in subsidised employment (Jensen, 2004). The senior benefits scheme was introduced in 1997 for those who exited a flexjob before the age of 65 to cover the potential gap until state pension age (Jensen, 2004). In 1997, a collective agreement between municipalities and the trade unions produced the Senior Employees Policy which allowed employees over the age of 52 to move into part-time work and maintain their pension rights (Committee of the Regions, 2003).

The VERP (*efterløn*) underwent reform in 1998 to strengthen the link between work and pensions. To incentivise longer working lives, individuals who remained in employment until the age of 62 received tax deductions and the full pension amount until the official state pension age of 67 (Bertelsmann-Stiftung Foundation, 2002b). From the 1<sup>st</sup> of July 1998, the anticipatory pension scheme (*førtidspension*) was reformed to become more stringent by stating pensions could not be awarded until activation measures aimed at improving an individual's working capacity had been undertaken. The individual had to be available for participation in job-training schemes in order to receive unemployment benefits (Ministry of Economic Affairs and Ministry of Labour, 1998). For those individuals who were over 25 and uninsured, participation in activation measures had to commence before one year of social support receipt. The municipality was obliged to formulate an action plan for the individual if they were over 25 years of

age. As of July 1998, this was amended to include all age groups up to the age of 30 who then had to engage in an activation programme before being in receipt of benefits for thirteen weeks (Ministry of Economic Affairs and Ministry of Labour, 1998). In 1998, an agreement was signed in Denmark between the National Association of Local Authorities and the Association of Local Government Employees' to allow older workers to move to less demanding work. The trade unions opposed the proposal to reduce older workers' working hours (Taylor, 1998).

1999 saw the 3<sup>rd</sup> revision of the labour market policy for unemployed individuals. With regard to insured persons, first, the obligation to participate in activation measures had been made more rigorous in terms of the rules governing the availability for work and a new threshold was set at less than twelve months of benefits receipt. The '50-59 rule' was altered in this year to only exempt those aged 55 to 59 from job search (Hansen, 2002). Under these changes, individuals would be invited for an interview before reaching three months of unemployment. With regard to older individuals, specific attention was given to those aged 50 to 59. In addition, the total maximum period of benefit receipt in general had been reduced from five to four years. By 1996, the duration had already been reduced from a first period of four years followed by three additional years to two years followed by three (MISSOC, 1997). The rules for income tax deductions had been simplified so as to incentivise unsubsidised employment (Ministry of Economic Affairs and Ministry of Labour, 1999). In addition, between 1999 and 2001, public sector jobs were created for those who had been unemployed for 1½ years and were over 48 years of age (Hansen, 2002).

To accompany these reforms of unemployment schemes, on the 27<sup>th</sup> April 1999 the Danish Parliament proposed the amendment of early retirement schemes. It was suggested that remaining in the labour market longer should receive greater financial encouragement, as well as the option to combine part-time work and pensions (Ministry of Economic Affairs and Ministry of Labour, 1999). A series of changes were implemented which affected the various early retirement schemes to different degrees. The first, the VERP saw its eligibility ceiling raised to 25 years of membership to the

unemployment insurance fund of the previous 30 years. In order to discourage the use of the VERP, in 1999 the pension reduction for those exiting between 60 and 62 was 10% (OECD, 2006). Additionally, a lump-sum bonus of 8,600 DKR per quarter was introduced in this year for those who continued to work between 62 and 65 years of age (OECD, 2000). New entrants had to make a special contribution to the unemployment insurance scheme in order to receive early retirement (Jensen, 2004). The benefit level was raised; when the old scheme was introduced, it corresponded to 100% of unemployment insurance benefits, falling to 82% over a number of years. The new scheme increased the rate to 91%. It is argued by the OECD (2005c) that this reform could not raise the VERP age further so this bonus was the alternative means to encourage prolonged labour market participation. Despite this reform, however, the VERP remained the primary early exit route (OECD, 2005c).

In July 1999, the state pension age was reduced from 67 to 65 for those who at this point were not over the age of 60. Thus, the first effects of this policy were seen in 2004 (Bertelsmann-Stiftung Foundation, 1999a). This, Jensen (2004) argues, will reduce public expenditure as the level of pension is low in comparison to early retirement or disablement benefits. These reforms also combined the partial pension with the VERP scheme by allowing the individual to combine work and pension receipt, providing they worked no more than 200 hours per year or 29.6 hours a week, an increase upon the old part-time pension (27.75 hours per week) (Jensen, 2004). This, it was argued, would encourage a more gradual transition into retirement (MISSOC, 2001). In addition, a new part-time pension was available for those aged 60 to 64 from 2004 and who were not eligible for the early pension. The individual had to have been in the labour market for at least 20 years and worked for nine of the past twelve months. The individual had to reduce their working time to between twelve to 30 hours per week. With regard to early retirement certificates which bestowed the right to early retirement upon the sick, these remained unreformed (early social pension/anticipatory pension [*førtidspension*]).

In January 2000 the early social pension/anticipatory pension (*førtidspension*) scheme was reformed to place those who would have previously been eligible in



subsidised ‘flexjobs’. This was an extension of a scheme introduced for the labour market in general in 1994 (Jensen, 2004). As of 2000, those over 60 were also entitled to and obliged to take part in activation measures before six months of unemployment (Ministry of Economic Affairs and Ministry of Labour, 1999; Hansen, 2001). Coupled with the increased emphasis on activation was also the narrowing of early exit routes. Additionally, between 2000 and 2003 2.5 million DKR were available for older unemployed individuals who set up ‘self-activating’ support groups (Hansen, 2002).

### *5.3.3 Policy Changes 2001-2005*

In 2001, individuals had to have been a member of the unemployment insurance fund for a year and been unemployed for 52 weeks within the last three years to receive benefit in the event of unemployment; individuals who worked part-time had to have been employed for 34 weeks within the past three years. The maximum benefit duration for unemployment insurance was four years and after the first year, the individual was entitled and obliged to engage in training and an individual action plan; refusal resulted in the withdrawal of benefit. Individuals aged 58 to 59 and unemployed remained exempt from activation measures (Bertelsmann-Stiftung Foundation, 2003d). Initiatives were taken in 2002 to encourage the labour market participation of older workers. First, a ‘senior policy pool’ was established to provide financial support to local initiatives designed to promote active ageing. Also, a senior policy consultancy scheme provided these enterprises with free advice (Ministry of Economic Affairs and Ministry of Labour, 2002).

The anticipatory pension scheme (*førtidspension*) was reformed as of January 2003, following changes instigated in 2001 as part of a move to a more active approach, focusing on the capabilities of the individual and utilising them in a job placement (Denmark, 1998). The individual had to receive this benefit on a full-time basis, having been deemed incapable of part-time employment (OECD, 2006). The following parameters are considered to limit the working capacity of the individual: “vocational and practical competences, personal competences to enter into social and job relations, networks of labour market relevance, health and the individual’s own job perspectives”

(Ministry of Economic Affairs and Ministry of Labour, 2002: 39). These capabilities were assessed and developed to better tailor employment measures for the individual. From this year onwards, the caseworkers who authorised the award of this pension were required to provide a clear rationale in each case. Thus individuals with reduced working capacity would first and foremost be offered a subsidised, 'flex-job' on a full-time basis before an early pension (OECD, 2005c; Ministry of Economic Affairs and Ministry of Labour, 2002).

In 2004, new incentives to extend working lives were introduced. Those over the age of 65 were then able to defer their pensions for up to ten years and receive an increase to the final amount of 7%. However, the individual had also to work for at least 1,500 hours per year, which was above the national average (OECD, 2005c). 2004 also saw the introduction of a new adult vocational training system to promote employability in addition to increasing the age threshold for access to state education grants from 59 to 64 (OECD, 2005c). This year also saw the state pension age effectively reduced from 67 to 65 years of age (the policy had come into existence in 1999, but only for those under 60 at the time; thus 2004 saw the first cohort aged 65 since the policies' creation). Though the transitional allowance was disbanded in 1996, individuals enrolled before this point were still present in 2004. The individuals on the scheme could exit the labour market on 82% of unemployment benefits if aged between 55 and 59 (OECD, 2005c).

Since 2004, age discrimination legislation has been in place in Denmark. Employers were, however, still permitted to enforce mandatory retirement ages at the default of 65 or earlier, if objectively justified (OECD, 2006). More generally, Denmark aimed to make the labour market more attractive to older workers with attempts to alter the perceptions of employers to view this group as a valuable resource (Venge, 1998). Those who were enrolled on the unemployment register and over 50 were allowed access to the same schemes as younger unemployed. An agreement has been signed the National Association of Local Authorities and Association of Local Government Employees' Associations has meant that older workers could move to less demanding work (Taylor, 1998).

By 2005, in order to access the VERP, an individual had to have been eligible for unemployment benefits and the pension they receive would be equal to 91% of this state transfer. Those who postponed access to VERP for two years and continued to work for 30 hours a week received a tax-free bonus. In addition, the part-time pension (*delpension*) had been altered to stipulate that the individual had to have been have participated in the supplementary pension scheme (ATP-pension) for at least 10 out of the past 20 years and must have worked at least 18 out of the past 24 months in Denmark.

## **5.4 Finland**

### *5.4.1 Institutional setting and context pre-1996*

The Finnish pension system pre-1996 provided a universal National Pension with earnings-related supplements used to ‘top-up’ this amount. In instances where no contributions had been made to the earnings-related element, the state would pay the supplement. The pension age was 65 (Kangas, 2007). By 1995, Finland has a great many early exit routes. Gould and Saurama (2004) argue Finland’s first phase of early exit policy introduction in the 1970s to 1980s saw the alteration of existing social security arrangements, such as those for disability<sup>27</sup> and unemployment to allow individuals to exit early from the labour market.

With regard to the amendment of unemployment policy, Gould and Saurama argue the seeds for later early exit policies were sown in 1971 with the creation of an ‘unemployment pension device’ (*Työttömyyseläkeputki*) or ‘unemployment tunnel’ and unemployment pension for the long-term unemployed. At this point, unemployment was only 3% and thus the policy was created to provide exit for those (relatively) few individuals with limited re-employment prospects. From 1971 onwards, those on unemployment benefits could utilise the unemployment tunnel whereby individuals

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<sup>27</sup> The disability pension (*Työkyvyttömyyseläke*) has not been included here as it is open to those aged 16-64.

would move to earnings-related unemployment benefits at the age of 57 until the age of 60. At 60, they could receive the unemployment pension (*Työttömyyseläke*) until state pension age if they had made 15 years of insurance contributions and exhausted their right to unemployment benefits (OECD, 2005d). The age limit for the unemployment pension was altered in 1978 to 58, then to 55 two years later, before being increased to 60 in 1986 (Uusitalo and Koskela, 2003). At the same time however, the duration of the unemployment benefits was extended to include individuals from the age of 53. Thus individuals could effectively exit permanently from the labour market at 53 through unemployment benefits, followed by unemployment tunnel at the age of 57, before entering the unemployment pension at the age of 60 (OECD, 2006). Though there was no de jure job search exemption, the unemployment tunnel acted as a de facto ruling (OECD, 2005e). In addition, there was a pension available for farmers from 1974 who could retire between the ages of 60 and 64. Alternatively, those who converted to part-time work or transferred their farms to successors or non-agricultural purposes could exit at 58 years of age (MISSOC, 1995).

In 1986 the individual early pension (*Yksilöllinen varhaiseläke*) was introduced for those in the private sector between the ages of 55 and 64 with an extensive contribution record with their current employer. Individuals were able to exit via this route in cases where illness or disability, years of employment, ageing factors or exhaustion meant they could not continue in the labour market (European Foundation for the Improvement of Living and Working Conditions, 2003a). The amount of pension received corresponded to their age, contribution record, working conditions and health. If the individual later returned to work, the pension was either be halved or suspended (OECD, 2005d). This was distinct from the disability pension (*Työkyvyttömyyseläke*) as the exhaustion criteria were less specific. This scheme was further expanded to include the public sector in 1989. Those in the public sector could exit at 58 and both sectors would incur a reduction of 6% to their pension amount for every year they were under the age of 65. In addition, an early old age pension was introduced for those over the age of 60 with the same level of reductions. The part-time pension (*Osa-aikaeläke*) was also introduced in the mid-1980s for those aged 60 and over (Committee of the Regions,

2003). Under this scheme, individuals could work between 35-70% of their previous working hours and receive their pension set at 50% of the difference in income to supplement the new wages.

Comparatively, Finland began to address the challenge of active ageing at an earlier stage than other EU15 nations. In attempting to reverse the early exit trend, the Finnish government acknowledged that the tightening of eligibility criteria for early exit schemes would not reduce the number of applications, albeit making them less successful; the prospect of continuing in the labour market needed to be made more attractive. Particular attention was focused on poor health and working conditions as the mental and physical strain of previous employment was the second most cited reason for early retirement (Tikkanen, 1998a). 1994 saw the first incremental changes to the early retirement schemes with the age threshold of the part-time pension lowered from 60 to 58 years of age (Committee of the Regions, 2003). Those deferring their pension beyond the age of 65 received an increase of 1% per month above this age (MISSOC, 1995).

#### *5.4.2 Policy Changes 1996-2000*

1996 saw a major reform of the Finnish pension system whereby the National Pension became subject to income-testing. As a result, there was increased focus on the employment pension (*Työeläke*) which covered all economically active persons and required 40 years of contributions for the full pension amount (which in the case of the employment pension amounted to 60% of the pensionable salary). The universal National Pension scheme required 40 years of residency and income below a certain threshold (Kangas, 2007).

From 1995 to 1999, those aged 50 to 58 were the special focus of active labour market measures whereby they would be called to an interview at the job centre from which a tailor-made action plan was created. Individuals who refused to participate would face sanctions (Vinni, 2002). In 1997, the 'unemployment tunnel' was modified to increase the lower age limit of the extension of benefit from 55 to 57 (Uusitalo and Koskela, 2003; Roschier Attorneys Ltd., 2007). This was done by only allowing

individuals to access the additional earnings-related period if they had reached the maximum of 500 days before the age of 57, thereby postponing access to the unemployment tunnel by two years (Vinni, 2002).

As of 1998, long-term unemployed individuals could automatically access the unemployment pension at the age of 60. However, at the same time, to make the combination of part-time work and pensions more accessible, a scheme was modified in July 1998 to run until the end of 2000. The age at which an individual could combine part-work and pensions was lowered to 56 years of age from 58 (Finnish Ministry of Labour, 1998; Gould and Saurama, 2004). Following a resolution passed by the Council of State on 6<sup>th</sup> February 1997, the 'National Programme on Ageing Workers' was established to run from 1998 to 2002 (Vinni, 2002). The spheres of intervention included the individual level, the workplace, the labour market and 'system factors' including pensions and labour market legislation. The programme included 40 measures encompassing training, information campaigns emphasising the benefits of employing older individuals and measures to improve working capacity along the programmes three main themes: developing working life, promoting the return to work and modifications to the pension and social security to promote employment. Certain measures were carried forward from the programme to run until 2007-9 including the *Veto* scheme to improve health and safety at work; *Noste* which focused on training; *Kesto* to improve functional capacity and make work more attractive; *Tykes* to promote cases of best practice and *Kuntatyö* to improve working conditions in the public sector (Taylor, 2005). Temporary legislation was introduced to allow an unemployed person over the age of 55 to accept a temporary, low-wage job and not face a reduction in their pension amount (Finnish Ministry of Labour, 2000; OECD, 2005d). In 1998, a scheme was introduced to provide employment subsidies for a maximum of 12 months for the long-term unemployed (Committee of the Regions, 2003).

Autumn 1999 saw the passage of a bill through parliament regarding pension reform which subsequently came into force in 2000. The reform covered the unemployment pension system and individual early retirement pension scheme. The

reform retained the 'unemployment tunnel' for those aged 57 and over, allowing them to remain on unemployment benefits beyond the maximum 500 day period. The individual could remain on these benefits until they reached the age of 60 when they could receive the unemployment pension. The unemployment pension previously also included a clause called the 'Right to the Future Time' which meant that the pension amount would consist of the individual's contributions, had they been previously employed. These reforms removed the latter clause to reduce the pension amount by 4% at most in relation to the wage rate. This pension tunnel scheme was attractive to employers who only had to fund 50% of the pension if their firm had more than 300 people. This amount was raised in this year to 80% to match the required funding of disability pensions (Bertelsmann-Stiftung Foundation, 2001b).

In addition to these amendments, the individual early retirement pension scheme for those with a diminished working capacity was modified in 1999. The age threshold for this scheme was raised to 60. The reform did not affect the part-time pension scheme, the age threshold of which was retained at 56 until 2002. The logic behind this change was to encourage the retention older workers and make the unemployment pension route less attractive to employers and employees alike. Age discrimination legislation was also included in the adjusted Finnish Constitution (731/1999, as amended) which contained equality as a principle and therefore outlawed discrimination in every form, including on the grounds of age (Roschier Attorneys Ltd., 2007).

From 2000, the amount of the unemployment pension was reduced by up to 4% per year. This measure was designed to discourage early exit, yet at the same time, the conditions attached to this benefit were reduced (Finnish Ministry of Labour, 2001). Conversely, the reduction for the receipt of an individual early pension and an early old age pension was cut from 6% per annum to 4.8% or 0.4% per month (MISSOC, 2000). In addition, the individual early pension age was raised to 60 years of age unless the individual had been born before 1944 (Vinni, 2002). From 2000, employees were able to take leave from work for a specified period, providing an unemployed individual filled the vacancy. Similarly, there was a part-time subsidy scheme which allowed an individual

to reduce their working time by half, so long as an unemployed individual was recruited to make up the full-time hours (Committee of the Regions, 2003). In order to encourage employers to retain older workers, in 2000 the cost of disability and unemployment pensions were shifted from the state to companies (Gould and Saurama, 2004). As of 2000, the increase for those who deferred their pension was reduced from 1% to 0.6% (MISSOC, 2000).

#### *5.4.3 Policy Changes 2001-2005*

2001 saw many measures to improve the employability of older workers through training initiatives. New vocational training schemes were launched aimed at those over the age of 40. Finland's anti-ageism legislation was based on the ILO convention on equal treatment in work which was extended in 1987 to include recruitment. This was strengthened with the Employment Contracts Act (55/2001) in 2001 to oblige employers to treat employees and job seekers equally with regard to recruitment and the advertisement of vacancies (OECD, 2005d). Discrimination on the grounds of age is prohibited by the constitution and by the Employment Contracts' Act (Committee of the Regions, 2003).

This period also saw the part-time pension scheme's age threshold raised in 2003 to 58 (Bertelsmann-Stiftung Foundation, 2003g). In a reversal of previous policy to make this route less attractive, the accrual rate for this part-time pension was set at half of standard pensions (Finnish Ministry of Labour, 1998; OECD, 2005d). In addition, the period from 2001 to 2004 saw a series of proposals for the reform of early exit routes, yet the changes were actualised in 2005 (OECD, 2005d). First, the Finnish pension system underwent reform to improve the organisation of its funding (Bertelsmann-Stiftung Foundation, 2003g). As part of these reforms, individuals would accrue pension rights from the age of 18 (as opposed to the previous arrangement of 23) and a flexible retirement system would be introduced. Individuals would be able to retire between the age of 63 and 68 as opposed to the fixed threshold of 65. This flexibility was managed by providing differential accrual rates according to age so as to incentivise longer working lives. The rate for those aged 18 to 52 was set at 1.5% per annum; for those aged 52 to 62,



it was set at 1.9% per annum (an increase on the previous 1.5%); for those aged 63 to 67, it was 4.5% per annum (this was previously 2.5%); and for those over 68, the accrual rate was set at 0.4% per month or 4.8% per year. In addition, those exiting at 62 received a reduction of 0.6% per month under the age of 63. Thus individuals exiting at 62 had their final pension amount reduced by 7.2% in addition to not receiving the 4.5% bonus for working the additional year. This sharp increase post-62 was argued to provide an incentive to prolong labour market participation (OECD, 2005d). The final pension amount would be calculated in accordance with lifetime earnings as opposed to the previous system whereby the average of the last ten years was utilised. The ceiling of 60% was also abolished under this reform (Finnish Ministry of Labour, 1998; OECD, 2005d; 2006).

With regard to the early retirement schemes, in 2005 the age threshold for the unemployment tunnel was raised by two years from 55. Also, the individual early retirement pension was abolished and the age threshold for the early old age pension was raised to 62. To ameliorate the effects of this change, the assessment for disability pension was relaxed for those over the age of 60 (Finnish Ministry of Labour, 1998; 2005; OECD, 2005d). The farmers' pension remained unreformed from 1995. In addition, the unemployment pension scheme is to be abolished gradually between 2009 and 2014. Individuals who would have previously been eligible for this scheme would instead assess unemployment benefits until the age of 65 (OECD, 2005d). With the abolition of the unemployment pension and the redirection of its clients to extra unemployment daily allowance entitlement, older individuals were placed under the remit of the unemployment insurance system as opposed to the pensions' element (Gould and Saurama, 2004). The changes to the various early retirement schemes are summarised in Table 5.2.

Table 5.2 The Finnish pension system pre- and post- 2005

	Target groups	Pre-1995	1995	2000	Post-2005
<b>National pension (Kansaneläke) or Statutory earnings-related pension (Työeläke)</b>	All/ workers	65	No change	No change	62/63-68
<b>Early Old age Pension</b>	Older workers	60-64	No change	No change	62+
<b>Disability pension (Työkyvyttömyyseläke)</b>	Disabled	16-64	No change	No change	Relaxing rules for people aged 60+
<b>Individual early retirement (Yksilöllinen varhaiseläke)</b>	Sick and aged	55-64 (private sector) 58-64 (public sector) 6% reduction.	No change	60-64	Abolished
<b>Part-time pension (Osa-aikaeläke).</b>	Part-time workers	60-64	58-64	56-64	58-68
<b>Unemployment pension</b>	Long-term unemployed	55-64	No change	60-64	Phased out 2009-2014
<b>Unemployment tunnel (Työttömyyseläke)</b>	Long-term unemployed	53-65	57-65	55-64	57-65
<b>Farmer's pension</b>	Agricultural workers	55/58/60-64	55/60-64	55-64	No change
<b>Deferred old age pension</b>	Older workers	65	No change	No change	68

Sources: adapted from Uusitalo, 2007; Gould and Saurama, 2004; OECD, 2005d: 77.

## **5.5 France**

### *5.5.1 Institutional setting and context pre-1996*

The French pension system was extremely fragmented and occupationally segmented. In general, the French pension system operated on a PAYG principle, financed by employers and employees, and was divided into three schemes for private, public and self-employed individuals. The basic state pension, the General Scheme for Employees (*Régime Général d'Assurance Vieillesse des Travailleurs Salariés*, RGA VTS) provided the full pension amount when 160 insurance quarters had been reached, at the age of 65 or in particular instances (for example if the individual was unable to work). In the private sector, an individual's pension amounted to 50% of their average wages taken from the best ten years of their career in instances where they had made the requisite 37.5 years of contributions. If the individual exited early, their pension would not only be reduced due to the prorating effect, they would also incur a loss of 10% per missing year with a maximum of five years (as introduced in 1983). The rules differed for the public sector with individuals receiving 75% of their the monthly wage for the previous half year, with early exit incurring a loss in line with prorating only (OECD, 2005e). In addition, there were two compulsory occupational schemes: the General Association of Retirement Institutions for Executives (*Association Générale des Institutions de Retraite des Cadres*, AGIRC) established in 1947; and in 1961, all workers in the private sector were required to join the private Association of Complementary Retirement Systems (*Association pour le Régime de Retraite Complémentaire des salaires*, ARRCO). The retirement age for these schemes was 65, with penalties applied to those retiring from the age of 60 onwards (Deville, 2000).

Ebbinghaus (2006: 159) classes the AGIRC and ARRCO as “collective schemes negotiated by the social partners provide (quasi) second-tier pension in France”, as is the case of the Netherlands. Though a ‘quasi’ second-tier, Ebbinghaus nonetheless includes both in the section on private occupational pensions that were provided by employers and social partners. Barbier and Théret (2000: 30) concur that these schemes are part of a ‘quasi-integrated system’ due to their compulsory nature. There is no state-provided

second tier; instead there are the mandatory occupational schemes. In addition, the state's role in the two schemes is considered low and the management, rules and implementation are undertaken by the social partners (IPOS, 2006; Barbier and Th  ret, 2000). However, any changes to these schemes have to be approved by the Minister of Labour. Yet for the IPOS, these schemes are part of the private pillar in spite of their compulsory nature.

However, other authors see the French pension system as divided into three pillars: compulsory state pensions, occupational pensions and private pensions. The compulsory state pensions are in turn divided into an earnings-related state pension and occupational schemes, run by the ARRCO and AGRIC. Kalisch et al. (1998) argue if pension schemes are categorised according to their level of programme coordination, the ARRCO and AGRIC schemes should be included in the public first pillar. Indeed "as the basic element, public pension programs are identified as those which are managed by public entities and/or with a great extent of national-level co-ordination...those schemes with national-level financial co-ordination based on pay-as-you-go funding...are regarded as public schemes in the System of National Accounts even if they are primarily managed by the private entities" (Kalisch et al., 1998: 65). In addition, "although schemes are not run or financed directly by the state they are regarded as public pensions and included in public administration costs" (PPI, 2003: 21). However, for this thesis, it is precisely because these schemes are neither state-financed nor managed that they are not considered state-provided decommodification policies.

Early retirement schemes in France were introduced in the 1960s as a tool to allow for industrial restructuring. The National Employment Fund (*Fonds National pour l'Emploi*, FNE) administered a scheme to allow for restructuring, with firms who had signed an agreement with the state permitted to retire individuals at the age of 60 (Guillemard, 1991). Older workers however, could not receive redundancy pay or become re-employed. Within ten years, early retirement was viewed as the right of the individual worker, providing autonomy over their labour market exit (OECD, 2005e) and employers, trade unions, government and older workers themselves had been in agreement that early exit was essentially a good thing for all concerned. As a result, early exit was the

predominant model in France; the traditional route from work to pension was only used by a minority in France (Guillemard, 1993: 38).

In the 1980s, a number of new schemes were created including the modification of the aforementioned FNE-administered scheme. The new Special National Employment Fund Allowance (*Allocation spéciale du Fonds national de l'emploi*, ASFNE) came into effect in 1981 and allowed individuals dismissed from firms that had signed an agreement with the state to exit aged 56 years and two months old (in exceptional cases, this could be lowered to 55) with 70% of the gross wages (Guillemard, 1991). The individual had to have made 10 years of insurance contributions and been with the firm for a year. In 1982 the solidarity gradual preretirement contracts (ACC, which later became the *préretraite progressive* [PRP] scheme in 1993) allowed those aged between 55 and 60 to partially retire from the labour market. The firm was required to sign an agreement regarding the replacement labour and in return would receive state subsidies<sup>28</sup> (Guillemard, 1991; Ebbinghaus, 2006). In the same year, the phased-in retirement (*cessation progressive d'activité*, CPA) was created for civil servants aged 55 and over with 25 years of service. Under this scheme, the individual could reduce their working hours to 50% for which they would receive 50% of their wages in addition to a 30% supplement (Jolivet, 2002; Guillemard, 1991; Eichhorst and Rhein, 2005).

In 1983, the retirement age was lowered to 60 years of age for individuals who had made 37.5 years of contributions (Guillemard and Argoud, 1999). With regard to unemployment benefits as a route out of the labour market, as of 1984, those over the age of 55 were exempt from seeking work and signing up for a 'return-to-work action plan' (*Plan d'aide au retour à l'emploi*, PARE) under a scheme called *Dispense de Recherche d'Emploi* (DRE). In 1985, this was altered to cover those aged 57 and over. The Unemployment Insurance Fund (*Association pour l'emploi dans l'industrie et le commerce*, ASSEDIC) would send those eligible for the DRE a request form which would result in their removal from the employment register (OECD, 2005). However, in

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<sup>28</sup> There was a similar full-time scheme created in the same year which ceased to accept new applicants from 1984 (solidarity preretirement contracts, ACS) (Guillemard, 1991).

order to protect the employment rights of older individuals, from 1987 any employer terminating the contract of a worker over the age of 50 had to pay the unemployment administration (UNEDIC) a contribution called *Delalande*. In 1988, the gradual retirement scheme (*retraite progressive*) was established which allowed the individual to claim part of a pension and work part time (Ebbinghaus, 2006; Jolivet, 2002).

In an attempt to encourage gradual retirement for those in the public or voluntary sector, the employment solidarity contract (*Contrat emploi solidarité*, CES), modified in 1990, permitted part-time employment for those over 50 years of age for a maximum of two years. The state covered between 65 to 80% of the wage and the employer was exempt from social security contributions (OECD, 2005e). The *contrat de retour à l'emploi* (CRE) was introduced in 1991 which provided financial incentives for employers to hire older workers (Gourin, 1998). In 1993 the phased early retirement scheme (PRP) replaced the ACC scheme and required the employer and state to form an agreement which would allow employees over the age of 55 to enter part-time employment and receive an allowance of 30% funded by the employer and state. The employer then had to replace the worker with an unemployed individual. Thus early exit in France has a long tradition and despite some measures to encourage its reversal, others equally ensured it would remain entrenched. In 1993, more stringent conditions were applied to the ASFNE, with the payment reduced to 65% of their gross salary (subject to a ceiling) and access became increasingly restricted, limited to those who had been made redundant due to economic difficulties and those over the age of 57 for whom re-employment was unlikely (France, 2003).

In terms of active labour market policies, in 1995 *contrat d'initiative emploi* (CIE) replaced the *contrat de retour à l'emploi* (CRE) to provide funds for employing older people at the end of their career and encourage the employment of the long-term unemployed (Gourin, 1998). The CIE scheme provided employers with a subsidy of around 2,000 francs a month and removed the social security contributions the employer was required to pay for 24 months or permanently if the individual was disabled or unemployed and on social assistance for more than one year (OECD, 2005e; 2006).

This year also saw the introduction of the combined early retirement/hiring scheme (*L'Allocation de Remplacement Pour l'Emploi*, ARPE), also known as *mise à la retraite*. This scheme was introduced following an agreement with the social partners involved in the National Unemployment Insurance Administration (UNEDIC) and was renewed several times until its phasing out was initiated in 2001. The scheme allowed individuals to exit the labour market early at 58 (55 in special cases) if they had fulfilled at least 160 insurance quarters. These individuals then received an income set at 65% of their former salary and the employer had to recruit an unemployed individual (OECD, 2005e; Taylor, 1998). This scheme was legally separate from dismissal and was only for those individuals who could claim a full pension due to a full contribution record. Drury (1993) argued that this presents a paradox in that workers are protected from dismissal however a worker's pension record could negate this and Guillemard and Argoud (2004) argue the ARPE revived the tradition of the 'solidarity contracts'. At the same time these authors argue the early retirement schemes such as the APRE (*Allocation de Remplacement Pour l'Emploi*), and the later ACA (*Allocation Chômeurs Âgés*, see below) and ASA (*Allocation Spécifique d'Attente*, see below) "totally 'canabalisé' gradual pre-retirement. They have revived the preference of both firms and wage-earner for full pre-retirement" (Guillemard and Argoud, 2004: 171).

In terms of the unemployment benefits available in 1995, the durations were contingent on age and contributions. The aforementioned ASFNE scheme also created a de facto early exit route. Those over the age of 57 were exempt from the job search requirement of benefit receipt. In addition, those over the age of 60 could only receive unemployment insurance (*assurance chômage*) if they had not made the requisite insurance quarters (151) in order to receive a full pension amount. In terms of deferment, individuals could increase their pension amount by 2.5% if 150 insurance quarters had not been reached.

### 5.5.2 Policy Changes 1996-2000

The end of employment leave (*Congé de fin d'activité*, CFA) scheme was established in 1997 for those employed by the state, local public servants and hospital staff. If these individuals were aged 60 and had an extensive contribution record, they could exit and receive 75% of the average gross wage over the previous six months (OECD, 2005e). Also, the 1997 Older Unemployed Compensation (*Allocation Chômeurs Âgés*, ACA) provided an additional unemployment benefit duration for those who had made 40 years of contributions from the age of 50 (thus though the ASFNE age threshold had been raised, this route provided an alternative) (Guillemard and Argoud, 2004).

New measures were introduced to encourage older workers' employment. Those over the age of 50 could also engage in a consolidated employment contract (*contrat emploi consolidé*). This scheme was introduced in 1998 and provided a fixed-term twelve month contract for those with limited employment prospects. The individual had to work a minimum of 30 hours a week and the state covered the income up to 120% of the national minimum wage. Again, the employer was exempt from social security contributions (OECD, 2005e). In the same year, the ASA (*Allocation Spécifique d'Attente*) was introduced for older unemployed individuals who had exhausted their right to unemployment benefits or minimum income support allocations (*Revenu Minimum d'Insertion*, RMI), who were over 60 years of age and had 40 contribution years (Guillemard and Argoud, 2004; Jolivet, 2002).

In 1999, reform was undertaken regarding the requirement to be actively seeking work, the *Dispense de Recherche d'Emploi* (DRE) scheme. This scheme which was expanded in 1999 to allow those with 160 contribution quarters (40 years) to exit at 55 (the general rule was 57) (OECD, 2005e). In addition, 1999 saw the creation of a scheme to allow the early withdrawal for workers who were exposed to asbestos (CAATA) who received an allowance no higher than 85% of the monthly reference wage (OECD, 2005e). This year did see one reform to combat early exit with the *Delalande* contribution doubled in 1999 for companies with 50 or more employees. The contribution was



increased to be equivalent to two months wages for employees aged 50, rising with age to be equivalent to one years' salary at 57 years of age (France, 2002).

France's range of early exit measures was reassessed in the 2000s. The ASFNE, which had become increasingly difficult to access, was restricted to only those industries in economic difficulty as of 2000 (France, 2000). However whilst the ASFNE scheme was being closed off, in February 2000 the early retirement scheme for employees (*Certains Travailleurs Salaries*, CATS) was created to focus on those employed in arduous or strenuous work<sup>29</sup> in certain industries: automobile, paper and cardboard industry and quarries (Guillemard and Argoud, 2004). The scheme was an extension of the CASA measure to allow older employees in the automobile industry to exit early. Depending upon the agreement of the social partners, under the CATS policy an individual could retire partially or fully at 55. The employer was then exempted from paying social insurance contributions and the state was partially responsible for covering the income of the individual (OECD, 2005e). In terms of the existing early retirement schemes, the phased early retirement scheme (PRP), the combined early retirement/hiring scheme (*allocation de remplacement pour emploi*, ARPE) and the employment solidarity contract (*Contrat emploi solidarité*, CES) were unchanged by 2000.

### 5.5.3 Policy Changes 2001-2005

2001 saw the creation of anti-ageism legislation to cover recruitment, promotion, training and dismissal in the form of a Labour Code on age discrimination. However, exemptions applied if the discrimination had a 'legitimate objective' (OECD, 2005e). On 16<sup>th</sup> November 2001, new clauses were added to anti-discrimination legislation. The burden of proof was placed on the employee and trade unions were permitted to speak in their stead during juridical proceedings (France, 2002). This year also saw the establishment of Personalised Action Plan (*Plan d'action personnalisé*, PAP) to provide unemployed individuals with training, help with job search and skills assessments (OECD, 2005e).

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<sup>29</sup>Strenuous work referred to 15 years of successive shift work or assembly line work, 200 or more nightshifts a year for 15 years.

In 2002 new measures were initiated, including the Specific Assistance Allowance (*Allocation de solidarité spécifique*, ASS) for those over the age of 55 which provided an unemployment benefit supplement if they had worked for five out of the last ten years. An individual could combine work and training whilst still receiving the allowance for the first few months (OECD, 2005e). As of 2002, the PAP-ND project (Personalised Action Plan for a New Start) sharpened its focus on those over 50 who had been unemployed for a substantial period (France, 2002). However, a new means-tested allowance was introduced, the *Allocation équivalent retraite* (AER) for unemployed individuals over the age of 60 who had made 40 years of contributions, which replaced the ACA (*Allocation Chômeurs Âgés*) and the ASA (*Allocation Spécifique d'Attente*) (Bertelsmann-Stiftung Foundation, 2004c).

In 2003, lifelong learning measures were introduced for those over 45 years of age with 20 years of experience. This scheme, *validation des acquis de l'expérience* (VAE) provided these individuals with a skills audit, followed potentially by access to work experience and training was made more accessible (France, 2003; Taylor, 2005). December 5<sup>th</sup> 2003 saw the creation of the multi-sector lifelong learning agreement signed by all the union organisations. This agreement aimed to make lifelong learning practices better equipped to deal with the needs of older individuals. As a result, from 2004 companies with more than ten employees contributed 1.6% of the annual payroll to training for employees; an increase of 0.1%. Those firms with less than ten employees were able to make reduced contributions of 0.4% (as opposed to 0.5%). This scheme entitled all full-time employees to at least 20 hours of vocational training per year, known as the 'individual right to training' or *Droit Individuel à la Formation* (DIF). The DIF could be accumulated over a six year period but if it was not wholly or partially used by this time, it was be limited to 120 hours. Employees could transfer this entitlement when they moved employers and those who worked part-time could receive a proportional amount of training hours. The employee had autonomy over the training yet required the consent of their employer (France, 2003).

In this year, Article 17 of the Pension Reform Law was designed to discourage companies from using early retirement schemes and older workers from engaging in them. From 27<sup>th</sup> May 2003, the early retirement benefits that were paid from employer to former employee were subject to an additional tax. Furthermore, the PRP was gradually abolished with these reforms to be completely closed off in 2005. Article 18 of the Pension Reform Law increased the eligibility criteria of the CATS early retirement scheme so as to target older workers who faced multiple disadvantage in terms of the labour market. These reforms also meant that after January 2004, those receiving a pension would be given the opportunity to continue working after the age of 60, providing their new income would be less than their previous wage or than the threshold established according to the geographical area. To complement this, the age at which employers could make retirement compulsory had been extended to 65 from 60. However, employers could be exempt if the redundancy was in line with a collective bargaining agreement or if an early retirement measure was entered into before 22<sup>nd</sup> August 2003 (France, 2003; OECD, 2005e).

Following the 2003 harmonisation of the public and private sector early retirement schemes, of the state-financed early retirement schemes, three were gradually being phased out: the ARPE, the PRP scheme and the CFA. From this point onwards, there were only two main forms of early exit: for those who had engaged in certain forms of work and those made unemployed through collective social agreements (*plans sociaux*). Those in supplementary schemes could access a reduced pension at 55 or at the full amount at 60 if they could also claim the full rate of the basic pension (OECD, 2005e).

In 2004, the Degressive Employer's Subsidy (*Aide dé à l'employeur*, ADE) was reformed to allow those over the age of 50 to access it from the third month of unemployment as opposed to the previous threshold of one year. The state partially covered this subsidy for up to three years (OECD, 2005e; France, 2003). The *Delalande* tax for employers was reduced so as to prevent it becoming an obstacle to the hiring of employees over the age of 45. The rules around combining work and the solidarity allowance were also relaxed so as to encourage those reluctant to enter employment due

to the precarious financial situation created by the move from benefit to work. To make the recruitment of older workers with additional labour market barriers more attractive to employers, the CIE subsidy was extended from two to five years and would be paid quarterly (as opposed to annually). In addition, the required unemployment period was reduced from 24 to 18 months.

France had prior to 2004 some measures designed to discourage age discrimination and extend working lives but in reality Drury (1993) argues this has done little to erode the culture of early exit that has been prevalent since the 1950s. Legislation prohibiting age limits in job advertising was in place, though was rarely enforced (Drury, 1993). France implemented age discrimination legislation in 2004 which covered employment. However, mandatory retirement at the age of 65 was still permitted and companies that could provide justification could dismiss workers prior to this threshold (OECD, 2006).

In 2005 a new gradual retirement scheme was implemented to replace the PRP scheme and to promote free choice for individuals. Those individuals who had made 33 years of contributions could enter into the gradual retirement scheme. The pension amount corresponded to contribution years, thus incentivising longer working lives. In addition, the possibility of combining wages and pensions was made easier as of 2005. Pension recipients could continue working providing their salary and part-time pension income when combined was not higher than their previous wages (France, 2004). From 2005, employees could withdraw a percentage of their pension whilst remaining in work under the progressive retirement scheme (OECD, 2006).

The CES were replaced in 2005 with the Accompanying Contracts of Employment (*Contrats d'accompagnement dans l'emploi*, CAE). This scheme had many of the characteristics of its predecessor, in addition to providing a subsidy for between 12 and 24 months, the individual could also receive training for between 200 and 1000 hours in order to meet the job requirements. The individual had to have been unemployed for 12 of the previous 18 months. The programme included those between the age of 50 and 65

but did not apply exclusively to this group (Ministère du Travail, des Relations sociales, de la Famille, de la Solidarité et de la Ville, 2005). In January 2005, the High Authority to Combat Discrimination and Promote Equality (HALDE) was established to process cases and disseminate examples of best practice (OECD, 2005e; Bertelsmann-Stiftung Foundation, 2003e).

## **5.6 Germany**

### *5.6.1 Institutional setting and context pre-1996*

Since 1957, the German Pension system has operated on a PAYG principle. Contributions were compulsory unless the individual was a trainee, disabled or in military service. The minimum period of membership was five years and the state pension age was 65 for both genders (Bertelsmann-Stiftung Foundation, 2000a). Individuals could increase their pension amount by 0.5% for every month they worked after the age of 65. In addition, there were two main early old age pensions (Teipen and Kohli, 2004). First, individuals could exit at the age of 60 if female or long-term unemployed if they had been employed for 180 months (ten of these years had to have been made after the age of 40 in the case of women). Second, the liberal-left coalition introduced a flexible seniority pension (*flexibles Altersruhegeld*) in 1973 which allowed individuals to exit at the age of 63 for individuals with 35 years of contributions (or 60 if disabled which was defined as a 50% reduction in earnings capacity) (Teipen and Kohli, 2004; Ebbinghaus, 2006).<sup>30</sup>

In the 1980s, it was also common practice to make an individual redundant from the age of 58 (or younger) with their agreement, thereby circumventing national legislation. The employer would pay the difference between the previous wage and unemployment benefit through a compensation payment referred to as *ratiierte Abfindungen* (OECD, 2005f). The 1984 Early Retirement Act (*Vorruhestandsgesetz*)

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<sup>30</sup> There was also a disability pension, accessible regardless of age for those who had five insurance years, three of the last five years in activity and a medical condition that reduced their work capacity. As with Denmark and in line with Hansen's (2002) arguments, this cannot be considered to be an early retirement route as it was open to all ages.

regulated agreements between Trade Unions and employers for compensation for those who exited voluntarily. This Act was in place from 1984 to 1988 and allowed workers to retire at 58, providing their employer granted payments until the individual reached the state pension age. This stipulation was designed to prevent the older individual moving to disability benefits and thus reduced the cost for the state (Teipen and Kohli, 2004). In 1986, the ruling on early pension access was altered under Regulation 428 SGBIII which decreed that those over the age of 58 would no longer be offered assistance in job search or be required to look for work. Previously, if an individual was unemployed at 59, they could claim unemployment benefit for one year before accessing a pension under the ‘59er’ provision. This age limit was reduced to 58 (Guillemard, 1993) and when combined with unemployment benefit receipt, meant the individual could effectively exit at 57.4 years of age (thus becoming the ‘57er’ provision). These individuals could then exit early at 60 under the early retirement route for the unemployed if they had made the requisite contributions (OECD, 2005f; Walker, 1993). With regard to early exit through unemployment benefits, these were divided into unemployment insurance and assistance, both of which had contribution requirements. The former was more generous, and the durations were dependent on age and contribution record (see Table 5.3) whilst unemployment assistance was unlimited.

*Table 5.3 Unemployment insurance (Arbeitslosengeld) benefit duration, 1995*

<b>Contribution days</b>	<b>Age</b>	<b>Benefit duration days</b>
360		156
480		208
600		260
720		312
840	42	364
960	42	416
1080	42	468
1200	44	520
1320	44	572
1440	49	624
1560	49	676
1680	54	728
1800	54	780
1920	54	832

*Source:* MISSOC, 1994.

In an attempt to move away from early retirement towards gradual retirement, the aforementioned Early Retirement Act was not renewed in 1988<sup>31</sup> but replaced in 1989 with the German Old Age Part-Time Employment Act. This legislation established a rule whereby those over 55 who had been insured for three of the previous five years could reduce their working time by up to 50%. This reduction was flexible and allowed the individual to 'block' time over the agreement. This was modified in 1992 to allow the individual to receive some of the full-time benefit (OECD, 2005f). Also, unemployment insurance access was lengthened so as to benefit older long-term unemployed waiting to reach state pension age. Like Denmark, Germany also considered the local labour market context as well as medical criteria when addressing eligibility for disability benefits (Guillemard, 1993). However, subsequently disability benefits were closed off whilst unemployment benefit criteria were widened, thus "[r]efocusing the movement towards early exit from invalidity insurance is also for the Federal German State a way of redistributing the cost of the process so as to lighten somewhat the heavy burden on state funds" (Guillemard, 1993: 41).

By the 1990s, the consensus around early exit had been abandoned in the face of demographic ageing and potential labour shortages. An indication of this was the passage in 1992<sup>32</sup> of a law prohibiting obligatory early exit in employment contracts (Taylor, 1998). In 1992, the Statutory Pension Reform Act of Germany gradually increased and harmonised the pension ages of men and women from 63 and 60 to 65 by 2012 (Committee of the Regions, 2003). In light of the predictions around population ageing, a targeted employment promotion law in 1995 provided wage subsidies for companies who employed those over 50 who had been unemployed for one and half years with 70-75% of standard wages for up to eight years. Measures were introduced that specifically targeted older women and those from minority ethnic groups (Taylor, 1998). However, Frerichs

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<sup>31</sup> This Act was removed due to its costs for the state and perhaps because the dual aims of creating vacancies for younger unemployed individuals whilst dissuading employers from making older individuals redundant presented a paradox.

<sup>32</sup> However, the new German constitution removed the right to work which had been part of the GDR's constitution. The onus is instead placed on workers' committees to make sure there are no age limits (Taylor, 1998).

and Naegele (1998) argue these corrective measures came into force too late as they focus on the long-term unemployed.

#### *5.6.2 Policy Changes 1996-2000*

In 1996, the part-time employment scheme for older workers was revised and re-launched. Previously, the main deterrent for entering into part-time work as opposed to an early pension was the loss of income. The Act on Part-time Work in Old Age therefore ameliorated this risk by covering the gap between wages for full-time and part-time work (Germany, 1998) and encouraging part-time employment for older workers as opposed to the complete premature exit from the labour market. Those who engaged in this scheme would receive a minimum of 70% of their previous earnings plus at least 90% of their pension fund contributions from their employer (Germany, 1998). The state would then reimburse the employer, providing an unemployed individual was recruited to make up the working hours (OECD, 1997; Germany, 1998; Lafoucrière, 2002; Teipen and Kohli, 2004). Also from 1996 the pension age limit for those who were unemployed was raised to 65 from 60 to be made effective as of 2001. In 1997 the threshold for early retirement was raised from 60 to 63. Retirement prior to this would result in a reduction of income by 3.6% per year (OECD, 2006). In addition, an integration subsidy (*Eingliederungszuschüsse*) equal to 50% of the wages was provided to employers who employed on individuals 55 years and over who had previously been unemployed for six months. The subsidy would be paid for three years and was available from 1998 to 2003 (OECD, 2000; 2005).

Germany underwent three main periods of reform with regard to pensions in recent years: in 1999, 2001 and 2004. The first, in 1999, tackled early retirement by gradually increasing age thresholds and initiating the closing off of pathways by 2016 (OECD, 2005f). It was argued in the 1999 National Action Plan that a new paradigm regarding unemployment policy emerged in Germany as of 1998. To combat the problem of long-term unemployment, the aforementioned integration subsidy was made available after a period of six months as opposed to twelve in 1999 (OECD, 2000). In addition, the employers were no longer obliged to retain this worker when the subsidy expired. This, it



was argued, would remove barriers to employing another unemployed person (Germany, 1999). This year also saw the definition of ‘older employees’ reduced from 55 to 50. However, for those over the age of 55 the length of support time was increased from three to five years. In this year, increased training opportunities were proposed subject to the consent of the social partners and working groups within the *Bündnis für Arbeit, Ausbildung und Wettbewerbsfähigkeit* (Alliance for Jobs, Training and Competitiveness) (Germany, 2000). The unemployment insurance duration had also been modified (see Table 5.4).

On the 1<sup>st</sup> January 2000 the Law on Development of Part-Time Work for older workers was activated. This extended the previous policy to companies with less than 50 employees to provide a subsidy if an older employee moved into part-time work and the remaining hours were made up by an individual from the unemployment register. The supplement would begin at 0.5% of gross wages, rising to 4% in 2008. In this year, DM 20 billion was allocated for subsidies until 2008 (Bertelsmann-Stiftung Foundation, 2000a). In addition, the coverage of the existing part-time pension was extended to include those already engaged in part-time work so as to avoid indirect discrimination along gender lines (OECD, 2005f). Furthermore, early pension ages in Germany were gradually increased from 60 to 65 for women from 2000 to 2004 and for long-term insured from 63 to 65 in 2000 for those born after 1952 (OECD, 2000). For those born before this year, early retirement would result in a reduction of 3.6% per year to their pension amount, with a maximum of 18% and the age thresholds were raised to 63 years of age (Germany, 1998).

Table 5.4 Unemployment insurance (*Arbeitslosenversicherung*) benefit duration 2000

Contribution record (months)	Employment Period (years)	Benefit payment duration (months) Varying with age				
		Up to 45	45 and over	47 and over	52 and over	57 and over
12	3	6	6	6	6	6
16	7	8	8	8	8	8
20	7	10	10	10	10	10
24	7	12	12	12	12	12
28	7		14	14	14	14
32	7		16	16	16	16
36	7		18	18	18	18
40	7			20	20	20
44	7			22	22	22
48	7				24	24
52	7				26	26
56	7					28
60	7					30
64	7					32

Source: OECD, 2001.

### 5.6.3 Policy Changes 2001-2005

The Alliance for Jobs was reformed in 2001 to allow those over 50 to receive Integration Subsidies (Committee of the Regions, 2003). The Job-AQTIV Act launched on 1 January 2002 meant that the unemployed individual, in conjunction with the employment office, was required to create a profile and a plan to improve employability. This measure was designed to prevent people drifting into long-term unemployment. In this year, the pension age limit for those who were unemployed was raised from 60 to 65. In 2002, a new initiative was launched called ‘A New Quality of Work’ (*Neue Qualität der Arbeit*) (Germany, 2002). Also, the Hartz Commission of 2002 created exemptions for employers who hired unemployed individuals over the age of 55 and lowered the age limit for fixed-term employment from 58 to 52 years to improve the prospect of reintegration (Taylor, 2005).

2003 saw the reform of ‘mini-jobs’, designed to increase low wage employment. Mini-jobs had been first reformed in 1999 when they ceased to exempt employees from

social security contributions. Before this point, mini-jobs had wages below a threshold and a maximum of 15 hours per week. Workers were also able to hold several mini-jobs at the same time. From 1999, employers had to pay 22% of social security contributions for each mini-job and workers could choose between paying a 20% flat-rate tax on earnings or to pay tax according to the income. As of 2003, the hours' restriction on mini-jobs was abolished and the earnings threshold increased. In addition, the tax rules were modified so as to encourage low paid work. From this point, contributions would begin at 4% and increase linearly to the standard rate of 21%. The mini-job scheme would be a key part of the German welfare-to-work strategy (Bertelsmann-Stiftung Foundation, 2003f). In this year the integration subsidy (*Eingliederungszuschüsse*) was disbanded (OECD, 2005).

As part of the Modern Labour Market Services Act of 2003, incentives were introduced for the long-term unemployed to enter the labour market. To encourage the take-up of employment at a lower age, the Wage Guarantee was available from 2003 for those unemployed and over 50. This scheme provided a subsidy of upon re-entry into the labour market at 50% of the difference between the new and previous wages. The individual had to have 180 hours left of unemployment benefit, which was then the period for which they received the Wage Guarantee. This scheme was closed to new entrants at the end of 2005 (OECD, 2006). In addition, employers who recruited individuals over the age of 55 were exempted from social insurance contributions (Committee of the Regions, 2003; Germany, 2003).

In 2004, the Old-age Pensions Insurance Sustainability Act (*Rentenversicherungs-Nachhaltigkeitsgesetz*) altered the existing early retirement schemes arguably to take into account demographic trends so as to ensure the sustainability of pension arrangements (OECD, 2005f). As of 2004, the age threshold for all pensions was raised to 65 for certain birth cohorts. The pension schemes for women and the unemployment were restricted to cohorts born before 1952, thereby effectively creating two early retirement systems for different birth cohorts. The older birth cohorts were subject to the aforementioned rules and reductions that were gradually being introduced from 2000, whilst for the younger

cohort the early pension for women had been abolished, the age threshold for the long-term insured were being increased to reach 65, and in terms of disability, the age threshold was increased to 63 for a full pension (those exiting before this age would incur a reduction of 0.3% per month). Those who exited before these thresholds would face a reduction to their pension amount of up to 18%. For those who deferred retirement beyond the age of 65, an increase of 0.5% per month could be earned. In addition, individuals could reduce their pension to either  $\frac{1}{3}$ ,  $\frac{2}{3}$  or  $\frac{1}{2}$  and continue to work for a proportional period of time (Germany, 2004).

The Employment Promotion Act was modified in 2004 to only cover those businesses with ten or more employees as opposed to the previous five in order to provide relief for smaller enterprises. Older workers with long service records with a particular firm were in theory protected from redundancies in that their employer was obliged to cover this unemployment benefit (the *Erstattungspflicht* ruling). This criterion was made more stringent in 2004. In addition, the range of ‘social criteria’ employers could use in cases of collective dismissal had been limited to disability, age, job tenure and whether the individual had dependents in their household. The employee was also obliged to take up severance pay of equivalent to half a month’s salary instead of challenging the dismissal in court (OECD, 2005f). In terms of specific ageism legislation, Article 36 of the Social Security Code (*Sozialgesetzbuch*, SGB III) ruled there could only be age limits in job adverts if they could be justified and the Law on Labour Relations at the Workplace (*Betriebsverfassungsgesetz*, BVG) stated that employers and works councils could not discriminate against older workers. The latter could instigate measure to promote older workers’ employment (Articles 75, 80, 96) (Taylor, 2005).

The *Hartz* reforms of 2004 provided temporary work and subsidies for those over the age of 52 (OECD, 2005f). This, it was hoped, would encourage the recruitment of older individuals (OECD, 2005f). To this end, subsidies were also introduced to cover 50% of the wages of newly recruited workers over the age of 50 for up to three years. In addition, those over 50 who took up low paid work could receive 50% of the difference between their new wage and previous income. This amount was payable until the point

where benefit entitlement ended (OECD, 2005f). In addition, the *Hartz* reforms altered the unemployment benefit system. The maximum period of unemployment insurance receipt (*Arbeitslosenversicherung*) was reduced to 18 months for those over 55 after which the Basic Resources for Jobseekers (*Grundsicherung für Arbeitsuchende*) would have been the only option.<sup>33</sup>

## **5.7 Greece**

### *5.7.1 Institutional setting and context pre-1996*

Greece's pension system operated on a PAYG principle with benefits based on employees' and employers' contributions. Due to the coverage of this system, private pension schemes were relatively underdeveloped. Though the state controlled the pension system, there was a great deal of fragmentation in terms of the sub-schemes available for the various sectors broadly spilt into Primary, Auxiliary and Provident funds. Law 1902/90 in 1990 had set the retirement ages at 60 for women and 65 for men and required a minimum contribution record of 4,500 insurance days for a full pension. In terms of the early pensions, men could exit at 60 years of age if male and 55 if female if employed in arduous or unhealthy work, or universally with a reduction of 6% per year prior to the state pension age. For those in the construction industry, the age thresholds were 58 for men and 53 for women. There were no incentives for deferral in place (Triantafillou, 2007).

Major reform of the pension system took place in 1992 to tighten pension eligibility, effectively creating two systems: one for those insured before 31<sup>st</sup> December 1992 and one for those who entered the labour market after this point. Law 2084/1992 modified pension calculations but still allowed early exit prior to 65 years of age (Committee of the Regions, 2003). The gendered state pension ages were harmonised in 1993 to 65 years of age for those entering the labour market in this year and the early retirement schemes were altered (OECD, 1997). In terms of arduous labour, the

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<sup>33</sup> In addition, from 2006 those over the age of 58.5 would have been required to engage in job search.

thresholds were set at 60 for men and women. New routes were added, including a scheme for individuals with child dependents and 20 insurance years (who could exit at 60) and measures for women with a disabled child or with more than three children and 30 insurance years. The latter two schemes allowed the individual to exit at 50 with a reduction of 6% per year prior to the age of 55. There were also changes to the disability pensions with the addition of a contribution requirement of 4,500 days unless the disability occurred before the individual was 21, then it was 300 days, increasing by 120 days every year after this age. Alternatively, the individuals could claim invalidity pensions if they had made 1,500 contribution days, 600 in the five years up to retirement and 300 of which in the previous year. Also, the definition of ‘severe invalidity’ was altered refer to a loss of capacity of 80% (from 66.7%) for which the individual would receive a full pension; ‘moderate invalidity’ was for those between 66.7%-79.9% (from 50-66.6%) could get  $\frac{3}{4}$  of pension; ‘partial invalidity’ between 50-66.6 (had been 33-50) received  $\frac{1}{2}$  pension (Triantafyllou, 2007).

With regard to ALMPs, in 1995 job subsidies were created for those over 54 years of age (Mestheneos, 1998). In terms of unemployment benefits, for those aged 49 and over with a certain level of contributions could receive an additional benefit. All individuals would receive an additional three months of benefit at a reduced rate, having exhausted the full rate.

### *5.7.2 Policy Changes 1996-2000*

In Greece, measures to encourage the employment and retention of older workers were introduced from the mid-1990s onwards. In 1997, a range of active ageing policies were set up, including the creation of 50,000 full-time jobs for all age groups and employment cards which entitled an unemployed person to training, employment subsidies or self-employment. There were also one-year subsidies for employers recruiting unemployed people on the condition they kept that person on for a minimum of between three to six months (Mestheneos, 1998). January 1997 saw the launch of a law to remove the age limit of 46 to enter the Manpower Employment Organisation’s (*Οργανισμός Απασχολήσεως Εργατικού Δυναμικού*, OAED) rapid training courses

(Mestheneos, 1998). In February 1997 a programme called ‘Cell of work re-integration’ was initiated to focus on those workers who had been made redundant in the event of a company restructuring. It provided opportunities for education, training or self-employment. For those men over 55 and women over 50, access to special funds could be received for three years (Greek Ministry of Labour and Social Security, 1998). New measures were also introduced for this group as part of the Programme for the Exclusion from the Labour Market. The general aim of these measures is to ensure those over 45 “are competitive – from a skills viewpoint – in relation to young people, they can adapt rapidly to the needs of the production process and also in order to avoid the firing of older employees because of lack of skills” (Greek Ministry of Labour and Social Security, 1998: 49).

A scheme was launched in 1998 called the Integrated Intervention Programme which strove to ameliorate large-scale redundancies as a response to economic difficulties. The aim was to prevent those out of work from drifting into long-term unemployment by providing active support in the form of a skills assessment of the cohort made redundant and attempts to place this group back into the local economy. Failing this, support would be provided in the event of relocation. These individuals would also receive training to the end of re-entering employment or becoming self-employed. The unemployed individual would be able to make use of this support for two years (Greek Ministry of Labour and Social Security, 1999).

Following a pilot in 1998, the OAED introduced a programme focused on those unemployed individuals over the age of 58 in 1999. The OAED launched a programme to be financed by the Employment and Vocational Training Fund (*Λογαριασμό για την Απασχόληση και την Επαγγελματική Κατάρτιση*, LAEK) in 1999 to subsidise employment for those who were unemployed and approaching retirement age. Social partners also made contributions into the fund. If employment could not be found for an individual in this situation if over 60 if male and over 55 if female, they would have received insurance until the state pension age. This programme was set to run until 2002 (Greek Ministry of Labour and Social Security, 2000).

The 1999 introduction of the Operational Programme 'Combating exclusion from the labour market' was remodelled to include needs-based training and measures which focus on employment promotion (Greek Ministry of Labour and Social Security, 2000). The Elective Studies Programmes provided older individuals with lifelong learning opportunities, including the chance to engage in tertiary education or retrain at any point in their working lives (Greek Ministry of Labour and Social Security, 2000).

In addition, the early retirement routes had been reformed. With regard to those employed before 31<sup>st</sup> December 1992, exit was permitted with 10,000 working days at 62 and 57 for men and women respectively; 10,500 working days would lower the male threshold to 58. Women with dependent children and 5,500 contribution days could exit at 55 years of age. In terms of arduous work, those who had worked for 4,500 days (of which 3,600 had been in arduous employment), could exit at 60 if male and 55 if female; this was lowered to 55 if 10,500 working days had been completed (7,500 in arduous labour). These individuals would not face reductions to their pension amounts. However, individuals who had worked 4,500 days of which 1000 were in the previous five years could retire at 60 if male and 55 if female with a reduction of 6% per year. This option was also available for those who had 10,000 working days, with the same reduction but due to their contributions the pension amount would have been higher in the first instance. Individuals were also able to exit at 53 years of age with 10,500 insurance days of which 7,500 were in arduous labour with a 6% annual reduction. Finally, exit was permitted at 50 for women with a minor or disabled child and 5,500 insurance days with the same reduction.

The options for individuals employed after 31<sup>st</sup> December 1992 had been curtailed by this year. In terms of an unreduced pension amount, this would only have been possible at 60 for those with 4,500 insurance days of which  $\frac{3}{4}$  were spent in arduous labour. Mothers with a disabled or minor child could also have exited at 55 with 6,000 insurance days. In terms of a reduced pension, those with 4,500 insurance days with 750



in the previous five years could exit at 60 years of age with a loss of 6% per year (MISSOC, 2000).

### *5.7.3 Policy Changes 2001-2005*

In 2001 a new measure was introduced to focus on the long-term unemployed aged 45 to 65 to promote labour market re-integration. These individuals, who had been unemployed for an excess of twelve months, had exhausted their regular OAED benefits and had a family income below a certain threshold, could receive a subsidy of around 30% of an unskilled worker's wage for up to twelve months. The subsidy was suspended in the event of training or education. Several of the measures already instigated were continued in 2001, including those that provided vocational or in-house training and the LAEK Fund programme to subsidise the employment of unemployed individuals approaching retirement. As of 2001, these measures were expanded to provide vocational training in new technologies, not only for the unemployed, but in addition those in work. Also, employers who recruited those over the age of 55 who had a minimum of 6,000 insurance stamps would only pay 50% of the insurance contribution for these individuals. The state paid the difference through the IKA fund (Greek Ministry of Labour and Social Security, 2002). In 2003, the OAED launched new subsidies for older individuals. A subsidy of €17.61 per day for the first two years and €20.54 for a further three years was provided for those five years under the state pension age who still had to fulfill 1,500 social security credits. Additionally, businesses providing employment for those over the age of 45 would be provided €21.5 per day for two years (Kathimerini, 2003).

In terms of anti-ageism legislation, regulation 43/78/2000 included age with alongside racial or ethnic origin, religious or other beliefs, disability, age or sexual orientation. The Law number 3304/2005 implemented the Directives 2000/43/EC and 2000/78/EC, stating in Article 13 paragraph 3 on the defence of rights points out that "legal entities which have a legitimate interest in ensuring that the principle of equal treatment is applied regardless of racial or ethnic origin, religious or other beliefs, disability, age or sexual orientation can represent the person wronged before any court

and any administrative authority with the written consent of the person wronged” (in Ktistakis, 2005: 3).

In terms of the early retirement pensions, these had again been altered by 2005. For both cohorts there was the option of exit at any age with 37 years of contributions. In addition, an incentive for deferral was introduced in terms of a 3% annual increase per year worked post-state pension age. The remaining early retirement options remained unchanged.

## **5.8 Ireland**

### *5.8.1 Institutional setting and context- pre-1996*

The Irish pension system has comprised of three pillars since the nation became independent in 1922. The three pillars included a flat-rate state pension as well as occupational and private pensions, undertaken at the discretion of the individual. As there was no state provided earnings-related supplement, many individuals utilised occupational schemes with private pensions increasing in popularity since 1992 (Schulze and Moran, 2007).

The first pillar of the Irish state pension system itself had different elements (Schulze and Moran, 2007; OECD, 2005j). The Old Age Contributory Pension was available at 66 for those who had contributed to the Pay Related Social Insurance (PRSI) scheme for at least 156 contribution weeks with an annual average of at least 20 per year before the age of 56. The second, the Old Age Non- Contributory Pension was set at a flat rate and was for those over 66 who were ineligible for the former pension on a means-tested basis. In both cases, those with between 24 and 48 contribution weeks per year would receive a reduced pension amount. The third pillar, the Retirement Pension, on the other hand was available to a similar group as the Old Age Contributory Pension except that contributions had to have been made before the age of 55 and exit could occur at 65 years of age with a full pension. The minimum period of membership for receipt of this pension was slightly higher at 24 contribution weeks per year and as with the Old Age

Contributory Pension, a reduced payment would be incurred for contributions between 24 and 48 weeks per year. Once this pension had been accessed, employment was prohibited though individuals could transfer to the Old Age Contributory Pension at 66 (OECD, 2005j; 2006, MISSOC, 1994; Schulze and Moran, 2007).

In terms of early exit routes, the pre-retirement allowance (PRETA) was established in 1990 and provided a means-tested benefit for those wishing to exit over the age of 55 and under the state pension age who had been in receipt of unemployment benefits for at least 390 days. These individuals would move from long-term Jobseekers' Allowance and would no longer be required to 'sign on' with the Social Welfare Office or Signing Centre, instead annually completing a Declaration Form (PR39).

#### *5.8.2 Policy Changes 1996-2000*

In 1998, Ireland introduced the Employment Equality Act which decreed that there were to be seven grounds of discriminatory action, including age. The Act covered direct and indirect discrimination in the field of employment. Indeed, "[t]he Act grants employees rights to equal remuneration and equal treatment in employment and provides for the insertion of equality clauses into all contracts of employment" (Committee of the Regions, 2003: 226). However, the Act does contain some exemptions, including the potential costs for employers and differential treatment on the grounds of seniority. In 1999, the Equality Authority was established to rule on cases of alleged discrimination. Despite the introduction of age discrimination legislation in 1998, mandatory retirement was still permitted in Ireland (OECD, 2006). Discrimination in the field of employment with regards to recruitment, promotion and training was prohibited under the Employment Equality Act introduced in 1999 (Department of Enterprise, Trade and Employment, 2000).

In February 2000, a preventative strategy was implemented to combat long-term unemployment. The Action Programme for the Long-term Unemployed and Skills Training for Unemployed and Redundant Workers integrated the long-term unemployed into mainstream training. Monies from the European Social Fund were used to partially

finance these schemes (Department of Enterprise, Trade and Employment, 2000). The National Training Fund introduced a subsidy for employers in 2000 to allow them to run training measures within the workplace that would be accredited by the National Framework of Qualifications (OECD, 2005j). The unemployment benefits and early exit routes for older individuals were unchanged by this point.

### *5.8.3 Policy Changes 2001-2005*

In Ireland, older workers outside of the labour market were predominately on incapacity benefits and as a result, in 2002 a scheme was introduced called the Employment Retention Grant to aid employers in maintaining the employment of these workers (OECD, 2005j). In order to incentivise employment for those over the age of 50, new measures were introduced in 2002. Income tax exemptions were increased to over 20% for those over 65 years of age. The Back-To-Work Allowance was targeted more at certain groups of the unemployed, including the over-50s. In April 2002, the PRETA scheme was reformed so as to allow those enrolled in this programme to leave to take up employment and re-enter should they subsequently become unemployed (Department of Enterprise, Trade and Employment, 2002). 2003 saw the termination of the mandatory retirement age of 65. In July 2004 the Equality Act was initiated in line with the EC directive (OECD, 2005j). Linked to the 2002 Employment Retention Grant, in 2005 a subsidy was provided for employers to promote the recruitment of older individuals with disabilities (OECD, 2005j).

## **5.9 Italy**

### *5.9.1 Institutional setting and context pre-1996*

The state-provided Italian pension system comprised of several pillars. The first and primary pillar was deferred according to occupations on the basis of contributions. The second pillar therefore provided for those individuals with insufficient contribution records on a means-tested basis (Ferrera and Jessoula, 2007). Thus public pensions

discriminated against women in that they took little account of their differential relationship with the labour market. Whereas three-fifths of men in Italy had 30 years of social insurance contributions, only one-fifth of women did. Women tended to have disjointed contribution records and thus 54% of women who received pensions had less than 20 years of contributions compared to 19% of men. As a result, they were reliant on the voluntary scheme for those with incomplete records of which women made up 82% of contributors. There were no credits to recognise maternity leave or care for a family member (Walker, 1993). In addition, a third and fourth pillar were added, which were voluntary and subsidised by the state. For individual insured before 1993, there was also the *Tfr* scheme which provided a defined benefit from employers to employees in the event of redundancy (Ferrera and Jessoula, 2007).

State pension ages pre-1995 were rising from 1992 onwards by one year every two years from 55 for women and 60 for men to reach 60 and 65 years respectively (MISSOC, 1994). It is proposed that state pension age in Italy should be raised to 65 for both men and women with an increased contribution threshold by five to ten years. This again fails to acknowledge women's status in the labour market and the constraints they face in fulfilling these criteria (Walker, 1993). Indeed, this increase in state pension age represents a five year increase for men and a ten year leap for women.<sup>34</sup>

However, despite of the raising of retirement ages, a number of measures were introduced in 1991 to allow for exit as early as 55 years of age. First, the *cassa integrazione guadagni* (wage guarantee fund for those made redundant, CIGs) Law 233/91 provided older workers made redundant in times of economic crisis with a benefit of 80% of their previous wages for twelve months. Second, Law 223/91 was the same as the previous measure but provided payment for two years (with the possibility of an extension for a further two). Third, the *mobilità* Law provided for dismissed workers

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<sup>34</sup> The situation of older workers was compounded by limited school enrolment until the 1960s. As a result, older individuals have a lower level of education than their younger counterparts with 60.3% of those aged 55 to 64 in 1998 having only obtained an elementary school leaving certificate (Italy, 1999). In addition, there were regional disparities between the North and the South with the latter exhibiting high youth and female unemployment (OECD, 2005h).

(Mirabile, 2004a; MISSPEU, 2001). In addition, the Seniority Pension (*pensione di anzianità*) in Italy could be accessed at any age by those with 35 years of contributions; thus individuals who entered the labour market at 15 could exit at 50 years of age (MISSOC, 1994).

These early exit policies conflict somewhat with other elements of Italian labour law. In Italy the constitution allowed for the choice to work, with no discrimination on the basis of age. Work in Italy was thus a right and the constitutional court ruled that there should be legislation to ensure equal rights for older people. Older workers were protected in industry by a ‘first in, last out’ policy of redundancy, yet were still over-represented in periods of downsizing. In terms of government-provided training measures, Italy exhibited direct discrimination by setting upper age limits (Drury, 1993). Some positive measures were introduced, including a working group on the issue as well as lifelong learning schemes with funding from the European Social Fund. Regional governments have also introduced financial incentives for the recruitment of the 50-plus, support for community projects that employ this age group and funds for employers with training and mentoring for this group in place.

In the 1990s, there were three main years of reforms that tackled the issue of demographic ageing. The *Amato* reform in 1992 increased the state pension age from 60 to 65 for men and from 55 to 60 for women, as aforementioned (OECD, 2005h). Individuals in the public sector were able to work until 67 years of age, in accordance with a ruling in 1992 (OECD, 2005h). The special provision for public sector workers was also gradually abolished. However, individuals with over 15 years of contributions in 1992 were exempt from these new rules, with the exception of the change to pension indexing (OECD, 2005h).

The 1995 *Dini* reform took the *Amato* reform further to attempt to maintain the pension system’s sustainability as well as incentivising labour market participation (OECD, 2005h). Law No. 335/95 on the Reform of the Pension System introduced a numbers of new measures. By this year, the state pension ages had been increased to 62

for men and 57 for women in line with the 1992 reform. Previously, the state pension age was increasing by one year every two years that passed; the *Dini* reform raised this to two years every 18 months (MISSOC, 1995). The *Dini* reform however “largely protected the ‘acquired rights’ of older workers by introducing long transition periods” (Ferrera and Jessoula, 2007: 437). Thus three groups were identified: those who had made 18 years of contributions prior to 1995 were subject to the rules of the *Amato* reform; those with less than 18 years of contributions would partially receive their pension in accordance with the old and new systems in proportion to the years of contributions pre- and post-1995; and finally, those entering the system after 1995 would be subject to the new rules (Ferrera and Jessoula, 2007). The key change introduced by the *Dini* reform was to move away from a defined benefit scheme to a ‘notional’ defined contribution system. Thus the pension payment would be directly linked to the contributions made over an individual’s lifetime (OECD, 2005h). Prior to this reform, pensions could be received after 35 years of work and thus those who entered at 15 years of age could exit at 50.

Under the new system, though pensions could be accessed as early as 57, there was a strong disincentive as the pension amount would increase with age and contribution years (OECD, 2005h). Individuals could retire at any age under the aforementioned seniority pension, providing they had made 35 years of contributions though delaying pension receipt for one year would result in an increase of 5.7% and 6.5% for two years. In addition, Law no. 335/95 meant that workers two years under the old age pension age could combine work and pension receipt for this period, providing they had made 37 years of contributions (Mirabile, 2004; Paulli and Tagliabue, 2002). In 1995, deferral of pension receipt would result in an increase to the state pension amount by 3-3.5% per year. There were no special unemployment benefit supplements for older individuals, or any exemption from job search.

### *5.9.2 Policy Changes 1996-2000*

Early exit routes were expanded for those insured as of January 1996 to include those in ‘risky’ jobs or women engaged in care in the home full time (MISSOC, 1998). The *Dini* reforms were deemed not to have gone far enough to stabilise pension spending

and so in November 1997 the *Prodi* reforms were introduced. Under this reform, the harmonisation of the public and private pension systems was accelerated. The contribution rates for the self-employed were increased to 19%. The conditions for accessing seniority pensions (*pensione di anzianità*) were modified through the gradual raising of the contribution threshold to 36 years in 1998. However, for blue-collar workers who began their careers between the ages of fourteen and 18, those who had been employed in arduous labour or those on CIGs, the contribution thresholds remained unchanged until 2006 (OECD, 2005h; MISSOC, 1998).

Post-1997, there had been several increases in the minimum amount of social assistance pensions and incentives to encourage people to work beyond the minimum threshold for state pension receipt. In 1997, the financial Law number 303/96 (subsection 185) encouraged individuals to retire gradually. In addition, the restrictions that prevented an individual working whilst claiming a pension were relaxed (OECD, 2005h). By 2000, the state pension age had been raised to 60 for women and 65 for men for those under the pre-*Dini* reform.

### 5.9.3 Policy Changes 2001-2005

Incentives to delay retirement were introduced in the Budget Law of 2001 and made effective in 2002. The Seniority Pension (*pensione di anzianità*) was reformed with an increased threshold of 57 years of age with 36 years of employment contributions, or at any age with 37 years. To encourage individuals eligible for this route to remain in the labour market, they were able to postpone exit for a minimum of two years and be exempted from their social security contributions, thereby increasing their income by somewhere in the region of 50% (Bertelsmann-Stiftung Foundation, 2002a). In addition, the pension rights would continue to be accrued and this also applied to those working beyond the state pension ages (65 for men and 60 for women) (Mirabile, 2004). Also, the partial pension route was modified to apply to those who had made 40 years of contributions and had fulfilled the eligibility for the seniority pension (35 years of contributions) before 1995 (Paulli and Tagliabue, 2002).



In accordance with Article 3 of the Italian Constitution, there is a general principle of equality for all citizens. This was further strengthened with Article 15 of Law 300/1970 which prohibited discrimination on the grounds of race, religion or gender to which age is considered a natural extension (OECD, 2005h). Additionally, the *Biagi Law* (Legislative Decree 276 October 2003) focused on age discrimination and created a scheme targeted at older individuals. The first Article of this law simplified the process of job placement in the private and public sectors. Article 2 promoted life-long learning and was the first attempt to address education for older workers since Law 236/93. Article 3 sought to protect part-time workers and non-standard work such as for people on-call was covered by Article 4. Article 5 supported collaboration between employers and trade union representatives (OECD, 2005h). This decree also included individuals over the age of 50 under the heading of ‘disadvantaged workers’ and could thus utilise the social employment or personal services agencies and the incentives they provided. In addition, this law created placement contracts that were non-renewable and lasted between nine and 36 months (Ebbinghaus, 2006) and flexible contracts or opportunities for self-employment created. There was also the option for those over 50 who had been unemployed for two years to engage in projects designed to update skills (Italy, 2004).

In July 2004, the Italian parliament passed a law to reform the social security system. This law, the NAP of that year argues, aimed to “a) to gradually increase retirement age in order to take into account demographic trends; b) to develop complementary pension and insurance schemes alongside the state system so as to ensure better system sustainability” (Italy, 2004: 18). It was decided that financial incentives should be implemented from 2004 to 2007 for individuals in the private sector to encourage them to continue working after they had accrued sufficient pension credits. Should the individual decide to continue working, they would receive an increase in their wage equivalent to the social security contributions they would have been paying; an increase which could be between 32.7% and 45% of their total salary and this amount would be exempt from taxation (Italy, 2004).

On July 28<sup>th</sup> 2004 a law was passed in the Italian parliament to reform the pension system by 2008. The main changes were to gradually increase the retirement age, to create a complementary pension system alongside the state scheme and finally, to provide financial incentives during the period of 2004 to 2007 for individuals in the private sector to continue working past the point where they have accrued sufficient pension credits (Italy, 2004).

## **5.10 Luxembourg**

### *5.10.1 Institutional setting and context pre-1996*

The state pension system in Luxembourg was insurance-based, requiring a minimum of 120 insurance months. The state pension age was set at 65 in Luxembourg yet individuals could apply to the Ministry of Labour to continue working until the age of 68. In industries where there was a high level of youth unemployment, the Ministry could refuse an older individual's request (Grand Duchy of Luxembourg, 1998). In addition, the credit given for periods of sanctioned absences was generous with a maximum of nine years for higher education and ten years to cover the education of three children (OECD, 2005i).

Early retirement from the labour market in Luxembourg mainly occurred through two routes: first, as a result of the Law on Old Age, Invalidity and Survivor Pensions enacted in July 1987 and second, the Early Retirement Act of December 1990. The latter allowed employees with over 480 contribution months to retire at either 57 or 60 years of age (or over 52 in the mining industry) under the premature old age pension (*Pension de vieillesse anticipée*) and the early access to the conventional pension (*Retraite anticipée*) respectively. The individual would receive no reduction to their pension amount. Also, early exit could occur via a series of pathways. First, early retirement was granted for those on shift or night work at 57 years of age (*Préretraite des travailleurs postés et des travailleurs de nuit*). Second, early retirement for company restructuring (*Préretraite-ajustement*) allowed firms to retire workers at 57 years old or over and the *Prerétraite-Solidarité* scheme permitted employers to do the same, provided the vacancy was filled

by an unemployed individual. For those pensions whose commenced at 57 years of age, at the age of 60 the individual would transfer to the *Indemnité de préretraite* which provided an amount that was 85% of the previous gross earnings for the first year, 80% in the second year and then 75% in the third year. Finally, employees could reduce their working time by between 40 and 60% as part of progressive early retirement introduced in 1991 (Committee of the Regions, 2003). To complement this, pensions were made more flexible two years later. 1992 saw the introduction of the National Programme for Older People (Walker, 1993). With regard to early exit, there was extended unemployment benefit durations for those over but these corresponded to contribution records (extensions of twelve, nine or six months for 30, 25 or 20 contribution years respectively).

Prior to the EU's 1997 European Employment Strategy, Luxembourg had implemented measures to aid older individuals' re-integration into the labour market under Law 23 07/1993, *Aide à l'embauche*. Under this scheme, the costs were reimbursed by the local authority over two, three or seven years depending on whether the individual was 30, 40 or 50 respectively (Committee of the Regions, 2003).

#### *5.10.2 Policy Changes 1996-2000*

Following the 1998 NAP, the progressive early retirement system was simplified to allow those who were 57 and three years away from completing the requisite contribution record to exit at 60 to move into part-time work until this point. This scheme was made less complex in 1999 as the time period for which the replacement worker had to be employed was reduced to two years whilst the hours they could work was increased to full time, if the employer desired it. From 12<sup>th</sup> February 1999, a flexible framework was introduced to allow the social partners to organise their own working time (Grand Duchy of Luxembourg, 1999). In December 1999, Luxembourg introduced a measure to allow older workers to shift to part-time work in line with the EU's employment guidelines (Committee of the Regions, 2003). Under this scheme, an individual over the age of 49 could move to part-time work whilst the employment fund would cover the employer's social security contributions for this employee. In return, the employer would

have to recruit an individual from the unemployment register to make up the hours. The social security contributions would be covered for seven years, unless the individual was hired on an indefinite contract whereby the state reimbursed the costs *ad infinitum* (OECD, 2001).

#### *5.10.3 Policy Changes 2001-2005*

In Luxembourg, a roundtable on pensions (*Rentendesch*) was held in 2001 (OECD, 2005i). Subsequently, a scheme was introduced to facilitate older workers' reintegration into the labour market in 2002 (OECD, 2005i). Following a vote amongst the Unions in 2001, a law was passed in 2002 to incentivise longer working lives. Under this law, those over the age of 55 who had worked for 38 years could receive a double '*taux de majoration*' for the outstanding time in employment (Committee of the Regions, 2003).

### **5.11 The Netherlands**

#### *5.11.1 Institutional setting and context pre-1996*

The Dutch pension system consisted of three elements. The basic old age public scheme (AOW) bestowed equal pension rights on all citizens and could only be accessed from the age of 65. This basic pension was based on years of residence (50 years between the ages of 15 and 64) as opposed to contributions (OECD, 2005i; Bertelsmann-Stiftung Foundation, 2005a). The second pillar, the collective occupational scheme, was funded by employers and employees and was akin to an individual fully-funded pension. These pensions were controlled by a legal framework through the Pension and Insurance Supervisory Authority (PVK) but were managed by the social partners. Of all EU15 nations, the Netherlands has the most developed occupational pillar (OECD, 2005i) as it was compulsory for most employees and the amount corresponded to years of insurance and level of income (de Vroom, 2004). As a result of the gendered division of labour, 37% of women were excluded from these schemes compared to 10% of men. In 1985, these pensions made up over one quarter of individuals' retirement incomes (Walker,

1993), thus the absence of access to such a scheme had a significant impact on post-retirement income. Finally, the private pension element was distinct from the state and the collective schemes (OECD, 2005i; Bertelsmann-Stiftung Foundation, 2005a).

There were three main early exit routes from the labour market: the early retirement pension (*Vervroegde Uittreding*, VUT), the occupational disability programme (*Wet op de Arbeidsongeschiktheidsverzekering*, WAO) and unemployment benefits (*Werkloosheidswet*, WW); only the latter two were directly provided by the state. The early retirement pension (VUT) and the disability pension (WAO)<sup>35</sup> played the largest roles in the declining rates of older individuals in employment; the unemployment benefit option was the least popular among this group. However, the degree to which the WAO scheme can be classed as an early exit option is contentious as though it was open to all ages, special additional periods applied to older individuals. Similarly, special conditions also applied to unemployment benefit recipients over the age of 57.5, thereby providing a de facto early exit route. The VUT schemes were separate from the pension system and were financed by employers and employees on a pay-as-you-go principle and thus there was variation between companies. However, the state still exerted significant influence over the scheme through fiscal policies and “confirmation...[whereby] the state has the ability to ‘legalize’ exit arrangements, as part of a collective agreement between the unions and employers’ associations by declaration” (de Vroom and Blomsma, 1991: 112). De Vroom and Blomsma highlight the distinct nature of the VUT systems however, as separate from state-provided schemes which are defined as a “public (collective) commodity for the working population provided by the government” (ibid: 112).

In terms of the WAO, early retirement was granted to those whose reduced working capacity meant they could not earn the same as healthy workers with the same or similar training. It could be claimed at any age, though those aged 53-57 could access the benefit for three years; for those over 58 for six years and those over 59 could remain on

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<sup>35</sup> By 1993, the classical medical criteria for disability benefit (WAO) were expanded to include the consideration of illness in the context of the local labour market. As a result, “[p]artial invalidity may thus be recognised as total invalidity and entitlement to a full pension” (Guillemard, 1993: 39). Thus invalidity became the main impetus for early exit.

the benefit until the age of 65 when they could claim the state pension. With regard to early exit through unemployment schemes, the unemployment benefit duration corresponded to the individual's contribution record and age. There was also an extension to the follow-up benefit of 3.5 years for those over the age of 57.5 (compared to two years for the rest of the population). In addition, those over this age were exempt from job search.

The Netherlands, in comparison with other EU15 nations, acted early in terms of anti-age discrimination measures. Article 1 of the Dutch Constitution (1983) states that "everyone in the Netherlands should be treated equal. It is prohibited to discriminate against persons on the basis of their religion, political preference, race, sex, or any ground whatsoever" (Bertelsmann-Stiftung Foundation, 2000b). In 1993 the Association Against Age Discrimination was established to promote legislation against age discrimination and in 1994 National Office against Age Discrimination was set up (Taylor, 1998). The Integral Programme of Action for Policy and the Elderly created three guidelines on age discrimination to run from 1995 to 1998. First, age discrimination is clearly defined as "a situation in which the use of age to discriminate cannot be justified" (De Vroom, 2004b: 136). Second, any age limits have to be legitimised and finally, the precedent was set that this legislation was "a tool to defend the elderly against physical and psychological declination is still a necessary regulative criterion in lawmaking and is seen as an indication of the 'level of civilisation of a society'" (de Vroom, 2004b: 136). New guidelines for redundancies were introduced in 1995 to alter the selective dismissal rules to 'last in, first out' in the case of economic difficulties and to ensure older workers did not make up a disproportionate number of redundancies by ensuring dismissals mirror age compositions (OECD, 2005i). However, in spite of this apparent anti-ageist stance, in the early 1990s, state subsidies for employment did not apply to those over the age of 57.5 (Drury, 1993). In addition, there was no minimum wage requirement for those over the age of 65 and dismissal arrangements were different from the rest of the working population with Dutch courts ruling that these individuals had less of a need of work due to their pension entitlement (Drury, 1993: 49).

### 5.11.2 Policy Changes 1996-2000

The Netherlands continued its work on anti-ageism policies with the launch of an action campaign in 1996 by the National Office Against Age Discrimination. Though court rulings prohibited contracts that included clauses for early exit, the anti-discrimination Article was open to some degree to interpretation, leading to a ‘hit and miss’ series of challenges to ageism (Taylor, 1998). Furthermore, a Bill was introduced in 1997 on age discrimination which was later replaced in 1999 with a more encompassing piece of legislation to cover training, education, promotion and recruitment. However, age limits could be retained in order to promote health and safety, to maintain a balanced age composition of the workforce and if age was an important factor in a particular job (de Vroom, 2004).

The VUT system was reformed in 1997 with the Pension Covenant whereby the government and social partners altered the funding to represent a more individualised scheme whereby the benefits received would be directly linked to the contributions made over the individual’s lifecourse. Though the state had no legal basis to intervene in the VUT schemes, they could do so indirectly through fiscal policy (OECD, 2005i; de Vroom, 2004: 143). Nonetheless, they cannot be seen as a state-provided early retirement.

The Netherlands removed the age thresholds for state subsidies for employment in 1998 (which had been 57.5 years of age) (Drury, 1993). Measures exclusively targeted at older individuals from minority ethnic groups were introduced, acknowledging the different barriers they face (Taylor, 1998). In addition, self-help groups were launched. This final policy was abandoned in favour of subsidised employment or ‘*Melkert banen*’ (Klercq, 1998). In terms of training, pre-retirement courses were introduced in addition to schemes where older workers were utilised as consultants. In 1998, an experience rating was applied to disability benefits (OECD, 2005i).

In July 1999, individuals who took employment with lower wages or working hours retained their right to unemployment and disability benefits based on their previous wage levels (Committee of the Regions, 2003). As of July 1999, legislation prohibiting

age discrimination was introduced to which employers could apply for exemptions (Committee of the Regions, 2003). A year later, the *Wet aanpassing van de arbeidsduur* (Law on the Adjustment of Working Time) was introduced to allowed older workers to reduce their hours following one year of employment with their firm (Delsen, 2002). On 14<sup>th</sup> June 2000, in accordance with Article 13 of the EC Treaty the *Wetsvoorstel verbod op leeftijdsdiscriminatie bij de arbeid* (Proposed Law on Banning Age Discrimination at Work) was launched which banned differential treatment according to age in terms of training, recruitment and promotion (Delsen, 2002).

By 2000, the unemployment benefit schemes had been reformed to include three elements: the short-term benefit (*kortdurende uitkering*), the salary-related benefit (*loongerelateerde uitkering*) and the follow-up benefit (*vervolguitkering*). All three had a contribution requirement and the latter, the follow-up benefit allowed individuals over the age of 57.5 who fulfilled 26 weeks of employment within the previous 39 and four of the five previous years (working at least 52 days per year) to remain on unemployment benefits until they reached the state pension age. However, the general job search exemption remained and the WAO was unreformed.

### 5.11.3 Policy Changes 2001-2005

The 2001 Taskforce on Older People and Employment for employers was created to run an information campaign to alter employers' perceptions of older workers until 2007 (OECD, 2005i). In 2002 the Gatekeeper Act was passed to make the screening process for disability benefits, which acted as the main state-provided de facto early exit scheme, more rigorous with periodic re-assessments to monitor the individual's condition. In terms of other early exit routes, the pay-as-you-go early retirement scheme, the VUT, was gradually being replaced by an occupational pre-pension scheme, based on an individual life savings model (OECD, 2005j). This new system only applied to those under 55 in 2005. The individual could exit using the life-course savings scheme which provided benefits for three years at 70% of their previous earnings (OECD, 2005i).



The Dutch government until 2004 was duty-bound to assist individuals in their job search or, if work was not available, to provide benefits. These responsibilities were laid down in the Law on General Social Assistance (*Algemene Bijstandswet*, ABW), the Law on the Retaining of Job-seekers (*Wet inschakeling werkzoekenden*, WIW) and the Decree on In-Flow Jobs (*Besluit in- en doorstroombanen*, ID-besluit). In 2004, a new law, the Work and Social Security Act (*Wet Werk en Bijstand*) superseded these laws (Bertelsmann-Stiftung Foundation, 2004d), removing special assistance for the unemployed and refocusing the emphasis on the responsibility of the individual to engage in the labour market. Measures were undertaken in the Netherlands to prevent long-term unemployment becoming an automatic pathway to early exit. From 1982, older individuals had been exempt from the job search requirement of unemployment insurance or social assistance if they were 57.5 years old and over (OECD, 2005i). In 2004, those over 57.5 were no longer exempt from actively seeking work and thus had to accept any job offered to them. However, the Work and Social Assistance Act gave municipalities discretion to exempt certain individuals aged 57.5 to 64 years of age who were deemed to have little chance of re-employment. In addition, older individuals on WAO were still exempt from job search (OECD, 2006; Committee of the Regions, 2003).

In terms of Dutch active labour market policies, all unemployed individuals were eligible for a tailored ‘re-integration strategy’ and those between 45 and 54 years of age were particularly targeted. The tax deduction introduced in April 2004 was designed to make work more attractive to older workers whilst VUT was no longer tax deductible to encourage longer working lives (OECD, 2005i). As of January 2004, the additional unemployment benefit was abolished for those who became unemployed after the 10<sup>th</sup> August 2003. This provided a benefit set at a maximum of 70% of the minimum wage to individuals aged 57.5 and over who could then receive this benefit for 3½ years after the general unemployment benefit had expired (at between four to five years) (OECD, 2005i). Furthermore, to encourage unemployed individuals to take up employment at a lower wage than they had previously received, in the event of multiple spells of unemployment, their benefits would be based on the highest of these salaries (OECD, 1997; 2005i). Perhaps to ameliorate the effects of this increased conditionality, the WAO

was reformed in 2004 to include a reassessment requirement, from which those over the age of 55 were exempt “since these persons have insufficient chance of reintegration due to their relative distance from the labour market” (Ministerie van Sociale Zaken en Werkgelegenheid, 2004: 23).

To encourage the recruitment of those unemployed over 50 years of age and the retention of those over 55, employers were completely or partially exempt respectively from paying part of their disability insurance contribution as of 2004 (OECD, 2005i). This year also saw the Life Course Bill come into effect. Under this Bill, the Life Course Savings Scheme was introduced to promote gradual exit from the labour market. As a result, an older individual could reduce their working time by 50% in the two years before retirement. The individual could not utilise this scheme to exit early and thus would remain engaged in the labour market to some extent until they reached state pension age (Netherlands, 2003). In 2004 the Ministry of Social and Employment Affairs (SZW) launched a subsidy for employers wishing to pilot ways of retaining and employing older individuals. The subsidy was available from 2004 to 2007 with €21 million allocated to it (Bertelsmann-Stiftung Foundation, 2005a). From January 2004, employers were obliged to cover the unemployment benefit of older workers they made redundant (Netherlands, 2003). In May 2004, a new law on age discrimination was passed regarding equal treatment in employment (OECD, 2005i).

## **5.12 Portugal**

### *5.12.1 Institutional setting and context pre-1996*

The Portuguese pension system contained two elements: a contributory scheme that provided benefits in accordance with insurance years and a non-contributory, means-tested system. The law provides for supplementary conventional schemes as an option. In 1973, the state pension age for women was lowered to 62 years of age; the reform of 1993 (Law 329/1993) raised this threshold by six months per year until 1999 when the male and female pensions would be harmonised (Chuliá and Asensio, 2007). Thus in 1995, the

state pension ages were 63 for women and 65 for men. The state pension age was not compulsory and thus individuals could continue to work (MISSOC, 1995). This reform also ruled that retirement prior to the age of 60 was not possible and increased the minimum qualifying period to 15 years from 10, whilst the threshold for a full pension was raised by five years to reach 40. At the same time, the accrual rate was reduced from 2.2% to 2%, thus encouraging individuals to remain in work longer.

In addition, as of 1993, the ‘Anticipated Retirement’ (*Reforma Antecipada*) scheme allowed those over the age of 55 in arduous work to exit early (Committee of the Regions, 2003). On health and safety grounds, certain occupations were permitted to exit early: miners (at 50 years of age); seafarers (55), flight personnel (60), air traffic controllers (55) and dancers (55) (MISSPEU, 2001). The participation of the 55-plus has been declining since the introduction of a policy following the revolution of 1974 whereby anyone who had ever paid national insurance contributions could apply for an early pension if they had no other means of subsistence (Barros and Coelho, 1998). Thus in terms of de facto early exit policies, individuals could remain on unemployment benefits until the age of 60 if they were 55 when unemployed. At the age of 60, the unemployed individual could then retire early. In addition, there were private early exit schemes administered by employers which were contained within the legal framework established by the 1990 Economic and Social Agreement. Under these agreements, the employer would provide a payment to the individual until they reached the state pension age (European Foundation for the Improvement of Living and Working Conditions, 2003b).

#### *5.12.2 Policy Changes 1996-2000*

In 1997, the social security contributions paid by older workers and their employers were reduced. The focus of unemployment programmes was on the young, thus leaving a gap which non-governmental organisations have sought to fill (Barros and Coelho, 1998). Law 9/99 introduced a number of changes regarding retirement including the creation of the aforementioned flexible state pension age (by this year, male and female pension ages were fully harmonised [MISSOC, 1999]). First, the state pension age

was made flexible to allow individuals to exit between the ages of 55 and 70 with a minimum contribution requirement of 30 years for early retirement. Individuals deferring their pension receipt beyond the age of 65 would receive a bonus of 10% per year. Third, in addition to the contribution requirement, early exit would also incur a penalty of 4.5% per year short of the state pension age. However, individuals with more than 30 years of contributions could reduce this deduction by one year for every three years of employment beyond this threshold. Thus these changes effectively meant that a new early exit route was created for those individuals aged 55 and over with 30 years of contributions who would be subject the aforesaid reduction (Chuliá and Asensio, 2007).

A few months after Decree-Law 9/99 was introduced, Decree-Law 199/99 was implemented which applied a contribution requirement to the *de facto* unemployment route that had allowed exit from the age of 55. From this point on, the unemployment route was restricted to individuals aged 55 and over who had been on the unemployment register for five years with a contribution record of at least 20 years. Periods spent on unemployment benefits were however counted as contribution years (Chuliá and Asensio, 2007; Portugal, 2000). Effectively, individuals who had spent 15 years in employment and five years on the employment register would have been deemed to have made sufficient contributions to access an early pension, effectively allowing them to leave the labour market at 50 years of age. Those who left the labour market early due to disability were entitled to the average best earnings of the previous ten years out of 15. The maximum working age was 70 (Committee of the Regions, 2003; MISSOC, 2000). The Decree-Law number 119/99 of April 1999 provided individuals with a part-time unemployment benefit to be claimed during periods of training (Committee of Regions, 2003).

A key component of the Portuguese active ageing strategy was lifelong learning (Portugal, 2000) and 2000 was an integral year in terms of this policy area with many new measures initiated. Under the Adult Education and Training Courses (AET) scheme, new courses were introduced including ‘Employability and Citizenship’, ‘Language and Information Communication Technologies’, and ‘Communication and Mathematics for

Life'. In addition, the capabilities possessed by older workers would be valued through the establishment of Skills Recognition and Ratification Centres to award life skills with the same amount of prestige as equivalent school qualifications (Portugal, 2000).

#### *5.12.3 Policy Changes 2001-2005*

As of 2004, a comprehensive active ageing approach was introduced in Portugal. A project entitled 'Active and Healthy Life in the Workplace' was launched as well as training for businesses to improve their health, safety and hygiene. Linked to improving individual's working lives, the option of more flexible employment was emphasised, with opportunities for working from home or part-time employment. In order to retain older workers in the labour market, Portugal promoted training and education for this group, particularly in new areas such as ICT. Finally, to tackle the prejudicial views of employers and to promote the image of older workers as an invaluable resource and provide incentives for their retention, information campaigns were launched (Portugal, 2004).

The other key aim of the 2004 NAP was to promote the reintegration of those older workers already outside of the labour market. First, those older workers unemployed due to economic restructuring would take part in the FACE programme, designed to retrain individuals to re-enter new forms of work. Those who took part in these measures would receive a professional qualification. Second, the value of older workers in terms of experience would be emphasised through information campaigns, apprentice schemes where older individuals would tutor the young and the promotion of voluntary work as a means to pass on these skills. In addition, the age thresholds for unemployment support and retraining were modified to allow the inclusion of those over the age of 45 (Portugal, 2004).

## **5.13 Spain**

### *5.13.1 Institutional setting and context pre-1996*

Spain too adopted an insurance-based pension system for employees, in addition to a flat-rate, means-tested pension for those who had failed to make sufficient contributions for the former scheme (Chuliá, 2007). The legal age of retirement in Spain was set at 65 in the period before 1996 and individuals working beyond this age would increase their pension by 2% per annum. In addition there were three main early exit routes: the first applied to those with 15 years of social security contributions, some of which had to have been made prior to 1967, who could exit at 60 with a reduction of 8% per year prior to retirement (Araico, 2004). The second and third routes contained no reduction and were for times of industrial restructuring and individuals in arduous employment. With regard to instances of industrial restructuring, there were two sub-types of pre-retirement schemes. First, workers aged between 55 and 60 could receive contributory unemployment benefits for two years and welfare benefits for three years from the National Institute of Employment (*Instituto Nacional de Empleo*). The company in this case would cover up to 75% of the previous wage and the state provided a subsidy in accordance with the amount of reduced pension. Second, if a company was in a fiscal crisis, it could make individuals over the age of 60 redundant. These individuals could receive 75% of the basic income upon which social security contributions were calculated. This salary was covered 60% by the employer and 40% by the state. These individuals would receive an income made up of compensation from their employer, unemployment benefits and a state subsidy. Individuals could also exit with no state subsidies (aside from unemployment benefits and pensions) if based on collective bargaining with a large employer (OECD, 2005l).

For individuals employed in arduous labour (such as bullfighters, transportation workers and the like) early exit was also permitted (Boldrin, Jimenez-Martin and Peracchi, 1999a). In the case of the coal mining industry, those over 52 years of age were entitled to contributory unemployment benefits for two years, after which they received

welfare benefits. As a supplement, the Ministry topped up the workers' income to 78% of the previous gross wage (OECD, 2005I).

The substitution contract also allowed firms to retire an individual early providing their replacement was recruited from the unemployment register. The employer received a reduction of 50% of the social security contributions for the new employee (Araico, 2004). From 1985, an individual aged 64 planning retirement could work alongside their replacement from the unemployment register part-time under the '*Relevo*' (take-over) scheme (Forteza and García-Zarco, 1998). In Spain, partial retirement programmes were available to those over the age of 60 and these individuals were able to retire fully at 65 with the additional credits accrued from this period in part-time work (Forteza and García-Zarco, 1998).

With regard to unemployment benefits, there were two systems. The first, the contributory system was for those made redundant who were actively seeking work. The limit for receipt was between four and 24 months, depending upon the individuals' contribution record. They would then receive 70% of their previous earnings for six months, reduced to 60% of the reference earnings for the remaining period. When the entitlement to this scheme was exhausted, the individual could access the assistance benefit scheme for between three to 30 months. In addition, for those who had exhausted their rights to unemployment insurance, there was special provision for individuals over the age of 52 if they had contributed to the unemployment system for a minimum of six years and the pensions system for the required minimum. These social plans provided a de facto bridge to pension access. Individuals could receive this benefit for fourteen years and was set at 75% of the national minimum wage (OECD, 2005I). In addition, the Industry Law scheme (*Ley de Industria*) provided individuals aged 52 to 60 with contributory unemployment benefits for two years, followed by welfare benefits plus a supplement from their employer.

In Spain, older workers had specific protection under labour law (Drury, 1993). The Spanish labour law of 1980 made specific reference to older workers thus: "workers

have the right not to be discriminated against in their application for employment or once employed on grounds of sex, marital status or age, within the limits set out in this Law” (in Drury, 1993: 56). Indeed Article 35 of the Spanish constitution (1978) states “none shall suffer any discrimination whatsoever on grounds of birth,...or any other personal or social condition or circumstance” (in Drury, 1993: 56) and also incorporates the individuals’ right to work (Forteza and García-Zarco, 1998). Older individuals were however, exempt from the job search requirement of unemployment benefit receipt.

### *5.13.2 Policy Changes 1996-2000*

1997 was a key year of reform in Spain, following 1995’s *Toledo Pact* which pledged to reform the social security system to become more equitable and balanced. In 1997 to remove disincentives for recruiting older workers, the severance pay for those over 45 was reduced, as were employers’ social security contributions for older individuals they recruited (OECD, 2005). The reductions were awarded on a sliding scale with those aged 45 to 54 receiving a reduction of 50% for the first year and 45% thereafter if male and 60% and 55% respectively if female. For employees aged between 55 and 64, the reduction was 55% and thereafter 50% for men and 65% and 60% for women. In addition, firms with workers aged over 60 years of age with a minimum of five years of seniority also received a reduction to their social security contributions (OECD, 2006). Though not directly excluded, older workers were not the focus of governmental training programmes which instead catered for the young unemployed. In Spain, new measures were introduced that specifically targeted older women and the self-employed in this year (Taylor, 1998), offering vocational skills training, career guidance and social support. The penalty for early exit was decreased in 1997 to 7% for those for whom exit was not voluntary, whilst for those who left of their own accord it remained at 8% (MISSOC, 2001).

From 1998 to 2000, the Continuous Professional Training Programme ran for employed individuals, particularly focusing on certain groups including those over 45 years of age (Spain, 1999). Employment Workshops ran for those over the age of 25 who had been unemployed and had difficulties finding work. These workshops lasted between



six and twelve months. From 1999, these workshops were specifically targeted at those over 40 years of age (Spain, 1999). Individuals were also able to use replacement contracts of between 30% and 77% of the working day (Spain, 1999). In 1999, the age threshold was lowered to 60 years of age for the *Relevo* scheme (Araico, 2004). The Programme for Promoting Work was established in 2000 to provide allowances for self-employed individuals who employed an individual over the age of 45 under a permanent contract as their first employee (Spain, 2000).

### *5.13.3 Policy Changes 2001-2005*

To promote the employment of certain groups over-represented amongst the ranks of the unemployed, Spain introduced a reduction for employers recruiting certain 'disadvantaged' individuals. Those over the age of 45 and unemployed were one of the groups targeted by this measure from March 2001 onwards. In addition, the compensation pay which was deemed a disincentive for employers was modified. For those on temporary contracts, the compensation was reduced to eight days' pay per year employed. In addition, the indefinite contracts introduced in 1997 which decreed the cost of unfair dismissal should be limited to 33 days salary for each year worked with a ceiling of two years' pay were extended to cover the entire working population with the exception of those aged between 30 and 45 (Bertelsmann-Stiftung Foundation, 2001a). Social plans aimed to minimise the disproportionate redundancy of older workers by promoting part-time contracts as an alternative in 2001 (Spain, 2002). The Active Job Finding Programme was extended in 2001 to include those over the age of 45. Individuals enrolled on this programme could receive unemployment benefits while engaged in part-time voluntary social work or work for non-profit organisations (Spain, 2001).

Following the agreement with the two main unions, a series of measures were outlined in 2001 and subsequently introduced in 2002 as part of Law 35/2002. First, mandatory retirement was prohibited in the public sector. In addition, to encourage the recruitment of older individuals, employers' social security contributions for workers over 60 on a permanent contract with five years of seniority were reduced by a minimum of 50%. This reduction would increase by 10% each year and could reach 100% by the

time the individual reached 65. In addition, for workers with over 35 years of contributions and over the age of 65, employers were entirely exempt from contributions. To discourage the dismissal of workers over the age of 55 in times of economic restructuring (*Expedientes de Regulación de Empleo*), employers were obliged to cover the pension contribution of these workers until they reached the age of 61 (OECD, 2005l).

In 2002 as part of these reforms, retirement was made more flexible in Spain (OECD, 2005l). Prior to this year, individuals who had contributed for 15 years to the system pre-1967 could have exited prior to the state pension age. This pre-retirement measure was expanded to include those with a minimum of 30 years of contributions (not necessarily pre-1967) who could exit between the ages of 61 and 65 if unemployed for six months for reasons ‘outside of their control’ (European Commission: Economic and Financial Affairs, 2005; Spain, 2004; Spain, 2001; Committee of the Regions, 2003; OECD, 2005l). However, those individuals’ pensions were reduced by between 6-8% per year before the retirement threshold. The reduction corresponded to the individuals’ contribution years with those with 30 years of contributions incurring a loss of 8% per year; those with between 31 and 34 years receiving a deduction of 7.5%; 7% for those with 35 to 37 years; 6.5% for those with 38 to 39 years and for those who had made 40 and above contribution years, the reduction was 6% per year short of the state pension age (European Commission: Economic and Financial Affairs, 2005b). Therefore, those who exited at 61 received a pension reduced by between 24-32%. In addition, for those who deferred pension receipt beyond 65 years of age and had worked for 35 years, there would have been an increase of 2%. Thus early exit without a reduction was no longer possible, unless the individual worked within central government or was covered by laws regarding industrial restructuring. As part of the flexibilisation of pensions, an individual was able to combine part-time work and a part-time pension. These individuals would receive the pension amount in proportion to the reduction in working hours (OECD, 2005l).

In May 2002 the unemployment protection system was reformed in Spain (Bertelsmann-Stiftung Foundation, 2002c). From this point onwards, individuals had to make a written commitment to accept help with job search and suitable employment

(*empleo adecuado*) in exchange for unemployment benefits. ‘Suitable employment’ referred to a job that the individual had performed at another point in their working life for at least six months. Those who had not found a job after twelve months of benefit receipt were obliged to accept a job offer following training and if this job was low-paid, they received a reduction in their social security contributions. Further conditions applied to the geographical mobility of the unemployed individual, obliging individuals to take any job within 30 kilometres of their home so long as the cost of the journey did not exceed 20% of their wages. For those individuals who refused a job offer, penalties ranged from the loss of between one month’s benefit to the total withdrawal. Additionally, assets and investments will negate an individuals’ right to unemployment benefits. This is particularly pertinent for those over the age of 52 and receiving early retirement benefits in addition to those receiving redundancy pay. Following a general strike, this was modified to allow those receiving redundancy pay to also claim benefits. Under these reforms, the ‘integration contract scheme’ was expanded to include all individuals over the age of 45 who have been unemployed for one month (OECD, 2005I).

On 30<sup>th</sup> September 2003, the *Toledo Pact* reduced or removed the social security contributions for those ‘high risk groups in the labour market’ (Spain, 2004). Also in this year age discrimination legislation was launched with regard to employment, despite the reservations of the Spanish Confederation of Employers’ Organisations (CEOE) (Taylor, 2005).

## **5.14 Sweden**

### *5.14.1 Institutional setting and context pre-1996*

Sweden represented a vanguard with regard to pensions, having introduced the first universal public system in Europe. The pension system comprised of two elements: a national flat rate basic pension based on residence in Sweden and the national income-related supplementary pension scheme (*tilläggs pension*, ATP). The latter was financed by employers’ contributions. The pension age was reduced in 1976 to 65 from 67 years of age. In the same year, the partial pension (*delpension*) was introduced for individuals

moving to part-time work from the age of 60 (Anderson and Immergut, 2007). Individuals between the ages of 60 and 64 had to reduce their working hours to between 17 and 35 hours per week and the loss of income is reimbursed at 55% (MISSOC, 1995). The individual was required to have worked for at least ten years since the age of 45 (Wadensjö, 2002).

Also, from 1970 to 1991 a disability pension could be received for labour market reasons in addition to reduced working capacity in instances where the individual was over 60 years of age and had exhausted their entitlement to unemployment benefits (Palme and Svensson, 1999).<sup>36</sup> In addition, Sweden endorsed flexible retirement with pensions payable fully or partially at 61 with the option of moving in and out of retirement. Individuals could exit between the ages of 60 and 64 with a reduction of 0.5% for every month shy of the state pension age. In addition, both the universal and contribution-based unemployment schemes had extended benefit durations for older individuals. At the other end of the spectrum, individuals who deferred pension claims and received consent from their employer could continue working until the age of 70 and receive an increase of 0.7% per month over the age of 65 (OECD, 1997).

#### *5.14.2 Policy Changes 1996-2000*

In 1996 temporary public sector jobs were created for those who were over 54 and long-term unemployed<sup>37</sup> (Wiklund, 1998; Sweden, 1999). Many older individuals registered at the job centre only received a basic education of nine years in compulsory schooling (Wiklund, 1998). Measures to provide a ‘knowledge lift’ (*Kunskapslyftet*) for those with limited formal education over the age of 25 by “improving basic skills and knowledge, the project aims to increase self-confidence among less well educated people, in order to build a more solid base for their future learning in work settings, thereby helping them to be more flexible in a constantly changing labour market” (Tikkanen, 1998b: 112) ran from 1997 to 2002.

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<sup>36</sup>A second disability pension was introduced in 1972 but could be accessed by all from the age of 17 and thus will not be covered in this chapter.

<sup>37</sup>However, after its initial introduction, no new placements were created and thus the numbers enrolled had tailed off to 124 individuals by 2001 (Wadensjö, 2002).

The effective retirement age for men decreased from 67 in 1965 to 62 in 1998 whilst it rose for women from 55 to 61 over the same time period (Committee of the Regions, 2003). As a result of this decline in male participation, a ruling in June 1998 meant that as of 1999 a new retirement system was introduced, with its first payments coming into effect in 2001 (see below for the contents of the reform). Also in 1998 a reform was introduced so that no further partial pensions could be bestowed after 2001, leaving only the option of partial access to the elderly old age pension and part-time disability pension (Wadensjö, 2002). By 2000, the lower age threshold for the flexible early retirement scheme had been raised to 61.

From August 2000, for those who had been unemployed for 24 months and were over the age of 57, any potential employer received a 75% tax reduction for the first two years of their employment. This scheme, the Special Employment Allowance, had a threshold so that the amount could not exceed the ceiling of SEK 525 per day, which roughly corresponded to half of the average wage for full-time workers. For all other age groups, to benefit from this scheme they had to have been unemployed for 48 months and receive a tax deduction of 75% for the first year, reduced to 50% for the following year (Sweden, 2000; OECD, 2005; 2006; Committee of the Regions, 2003). In addition, to encourage those early retired to re-enter the labour market, from 2000 people could return to work for a maximum of three years without affecting their pension amount (Sweden, 2002). Also, the unemployment benefit system had been reformed by 2000 to replace the unemployment assistance with the basic allowance (*grundförsäkring*) and the unemployment insurance with an optional earnings-related benefit (*inkomstbortfallsförsäkring*). However, there was still the option of an extended benefit duration though the age threshold had been raised to only include those over the age of 57.

#### *5.14.3 Policy Changes 2001-2005*

The Swedish pension system underwent a major reform in 2001, following a ruling in 1998. Under the old system, pensions were flat-rate and for those who had

resided in Sweden for between 30 and 40 years. There was however, an earnings related PAYG element. From 2001 onwards, pension amounts would correspond to the individual's earnings since the age of 16. There were contribution-based elements: a PAYG earnings related old age pension (*inkomstgrundad ålderspension*) with fixed contributions of 16% of the pensionable earnings and a fully-funded premium reserve system (*premiärservsystem*) which operated on an insurance principle. In addition, there was still a basic citizenship pension, the guarantee pension (*garantipension*), which was for those with no or low earnings-related pensions (MISSOC, 2005).

Individuals born before 1937 would receive their pension in accordance with the previous system; those born between 1938 and 1953 would receive their pension in accordance with a combination of the two systems and those born after 1953 would be subject to the new system (see Table 5.5) (OECD, 2000). The new system would be fully in place by 2015. Under the new system, with regard to early retirement, individuals could to retire from 61 years of age and remain in work as long as they desired. The individual would also be able to claim  $\frac{1}{4}$ ,  $\frac{1}{2}$  or  $\frac{3}{4}$  of their pension, and reduce their working hours accordingly (Committee of the Regions, 2003). After 2001, an individual's lifetime earnings were taken as a reference for their pension amount, thus encouraging individuals to maximise their earnings over their life course. In addition, the scheme shifted from a defined benefit to a defined contribution scheme. The Employment Protection Act created the right to work until the age of 67. This was however undermined by the collective agreements of social partners who could terminate the contracts of their employees at 65. Also, in this year partial pensions were closed off to new entrants (OECD, 2005k; Sweden, 2001; Committee of the Regions, 2003). Also, the extended unemployment benefit duration for those over the age of 57 had been abolished by 2005.

*Table 5.5 Application of old and new Swedish pension systems*

<b>Year of birth</b>	<b>Proportion of benefit in new system: old system.</b>
1938	4/20: 16/20
1939	5/20: 15/20
1940	6/20: 14/20
1941	7/20: 13/20
1942	8/20: 12/20
1943	9/20: 11/20
1944	10/20: 10/20
1945	11/20: 9/20
1946	12/20: 8/20
1947	13/20: 7/20
1948	14/20: 6/20
1949	15/20: 5/20
1950	16/20: 4/20
1951	17/20: 3/20
1952	18/20: 2/20
1953	19/20: 1/20

*Source:* MISSOC, 2005.

## **5.15 The United Kingdom**

### *5.15.1 Institutional setting and context pre-1996*

In the 1990s, the UK pension system comprised of a flat-rate basic state pension and an additional State Earnings Related Pension, accessible by women aged 60 and men aged 65. The UK had no statutory early exit routes in place since the disbandment of the Job Release Scheme in 1989 (Committee of the Regions, 2003). Incapacity Benefit represented the main state-funded exit route in the UK, though strictly speaking it cannot be termed an early retirement route as this was not its intended outcome and it was not limited to older individuals. However, from 1995, this benefit was made less generous (OECD, 2005n). In terms of early exit, the only concession for older individuals was that the asset threshold for non-contributory unemployment benefits was higher than for the

general population. Individuals could increase their pension amount by 7.5% per year worked beyond the state pension ages.

With regard to the reskilling of older individuals, in 1993 the age threshold for the 'Training for Work' scheme was increased from 59 to 63 (Walker, 2002). This scheme provided training for long-term unemployed individuals. However, in 1995 the Training and Enterprise Councils which administered this scheme prioritised those aged 18 to 24 (Taylor, 1998). The Conservative Government of this period favoured a voluntaristic approach to age discrimination with the occasional awareness campaign, such as the 'Getting On' campaign in 1993 to educate employers about the value of older workers (Walker, 2002: 418).

#### *5.15.2 Policy Changes 1996-2000*

In June 1999, a non-statutory Code of Practice on Age Diversity in Employment was published. The Code emphasised the need to abolish age restrictions and provided employers with advice as to how to best adhere to its recommendations (UK, 1999). Taylor (2005) argues the UK had the most extensive campaign of all other EU15 nations to promote the utility of older workers. After April 1999, upper age limits for training provided by Work Based Learning for Adults and Training for Work in Scotland were abolished. In addition, the career development loans had no upper age threshold and the student loan age limit was extended to those under 54 years of age, provided they aimed to return to the labour market after their spell in education (UK, 1999).

April 2000 saw the national launch of the New Deal for the Fifty-Plus (ND50+) as part of New Labour's drive for 80% employment. However, the resources allocated were a fraction of those available for younger cohorts (Loretto and White, 2004), with spending on the ND50+ only 2.1% of expenditure on all New Deal programmes (TUC, 2005). In terms of eligibility, an individual had to be over 50 and in receipt of Income Support, Jobseeker's Allowance, Incapacity Benefit, Severe Disablement Allowance or Pension Credit for six months or more. Those in receipt of National Insurance Credits, Invalid Care Allowance or Bereavement Allowance could also be eligible. The ND50+



included access to a Personal Advisor; for those earning under £15,000 annually and working at least 16 hours a week, a ‘fifty-plus element’ to the Working Tax Credit for 52 weeks and the opportunity to use a Training Grant up to £1,500 within two years of finding employment. This programme was entirely voluntary. In addition, the state and local partnerships together set up a pilot known as the PRIME initiative to help people over the age of 50 create their own businesses in 2000 (UK, 2000).

### *5.15.3 Policy Changes 2001-2005*

In 2001, a number of measures were introduced in the UK to re-skill older individuals including Third Age Apprenticeships. In addition, this year saw the establishment of an Age Advisory Group of leading Social Partners to liaise with the government and establish ‘good practice’ with regard to active ageing (UK, 2001) and the establishment of the Age Positive campaign (Taylor, 2005). With regard to pre-existing policies, initially the ND50+ contained a weekly Employment Credit of £60 for those whose wages were below £15,000. However, this financial incentive was argued to have a ‘deadweight’ effect (Hirsch, 2003) and was replaced by the fifty-plus element of the Working Tax Credit in 2003. The rationale behind the fifty-plus element of the Tax Credit is that after a year in receipt, the individual would have gained higher paid employment. In addition, the unemployment benefits system was altered with the lowering of the assets threshold for the income-based jobseekers allowance to £6,000 for those over the age of 60 (for those under this age, the threshold was £3,000).

## Chapter 6 Analysis of EU15 Nations' Active Ageing Policies 1995-2005

This thesis argues early exit and retirement policies allow for the decommodification of labour. The retrenchment of these policies represents the move away from the decommodification of labour and a *de facto* shift towards a recommodification approach, whilst the introduction of active labour market policies for older workers represents the *de jure* recommodification of labour. The EU advocates the narrowing of decommodification policies and the expansion of policies for the recommodification of labour as part of its 'active ageing' agenda. This strategy, it is argued, is necessary to achieve the end of increased and prolonged labour market participation in older age. Thus where nations retrenched their policies for the decommodification of labour whilst at the same time expanding their policies for the recommodification of labour, they could in the context of the EU targets and guidelines be considered to adhere to a 'comprehensive' active ageing approach.

From the data on EU15 nations' policy reforms over the period of 1995 to 2005, the sweeping generalisation could be made that there has been some progress towards what could be classed as an 'active ageing' agenda, which in turn is indicative of the general shift away from decommodifying social policies towards a more recommodifying welfare approach. There has been a broad shift towards the closure of *de facto* and *de jure* early exit routes, the creation of ALMPs that focus on older individuals and incentives for the deferment of state pension receipt. Thus the main onus of the welfare state is no longer to provide security outside the labour market, rather it is the responsibility of the individual to secure their own welfare *within* the labour market and the state's role is to enable this.

However, as the data from EU15 nations demonstrates, the picture is more complex than the simple contraction of decommodifying welfare arrangements as opportunities for recommodification are expanded. Indeed, to make the statement that *all* EU15 nations have adopted *equivalent* active ageing approaches would not only be misleading, it would also obscure a great deal of divergence in the policy approaches of

these nations. Thus whilst there was a general convergence towards the ethos of active ageing, there is substantial divergence amongst nations in terms of their various policy approaches, perhaps reflecting the impact of policy legacies on reform. Active ageing itself covers a great many policy areas (even when the narrow EU approach is adopted) and just as a nation may adhere to the ethos with regard to its early retirement policy for example, it may have not have made similar moves in the realm of unemployment policies (which can act as de facto early exit routes). In addition, as the data regarding model biographies will demonstrate in Chapter 7, active ageing policies *within* nations do not present a cohesive picture when the differential treatment of the various sub-groups within the age cohort is considered.

In terms of the policies regarding the decommodification of labour, early exit via extended unemployment benefits and job search exemption as well as de jure early retirement policies are included under this heading as they permit individuals to exist without recourse to the sale of their labour on the market. The guiding principle of these policies in terms of the eligibility criteria has allowed for the classification of national approaches. For nations where decommodification was for the large part contingent upon the individual's work record, the approach is labelled 'desert-focused', with desert here defined as "a 'backward-looking concept'" (Miller, 1989: 93), contingent on previous behaviour. When decommodification was universally available to all citizens above a certain age (prior to the state pension threshold), these nations adopted a 'rights-focused' decommodification approach. Finally, those nations where decommodification was bestowed on individuals in certain industries or occupations, contains criteria that allow firms to replace the older individual with a young person from the unemployment register or are for use in times of economic crisis, these nations had a 'labour market-focus'.

However, it should be noted in the division of the two main policy areas for decommodification- unemployment benefits and early retirement policies- the following section does not provide an assessment of the nations' decommodification approaches in a holistic sense. This will be elucidated in Table 6.3 and the data from the model biographies will demonstrate the complexity of these arrangements. Indeed, in the case of

the latter it is shown that despite a nation's general approach to decommodification, often one route from the labour market was available on a more general basis. As with any categorisation, a completely perfect fit not always possible yet the within-group differences are considerably less than those between groups. Indeed as Arts and Gelissen (2002: 140) note "[a]lthough real welfare states are most of the time not unique, they certainly are never completely similar. This means that they are almost always impure types. The consequence is that although they cluster together in three subclasses it is not always easy to classify all cases unambiguously".

With regard to the organisation of this chapter, it adopts the same approach as Table 5.1 in terms of the division of policies into those for labour markets (including de facto early exit routes such as unemployment benefits and job search exemptions as well as ALMPs) and pension policies (encompassing state pension ages, early retirement policies and incentives for deferment).

## **6.1 Labour Market Policies**

### *6.1.1 Unemployment Benefits*

Unemployment benefits acted in many EU15 nations in 1995 as de facto early exit routes either through extended durations, supplementary amounts or job search exemptions. In Austria, Belgium, Luxembourg and Greece, an additional benefit amount was available to older individuals though these nations had a contribution requirement, aligning them with the desert-focused approach. In the case of Germany, there was an extended benefit duration for the unemployment insurance scheme for older individuals, but with a contribution requirement; the unemployment assistance was open to those who had exhausted the right to this scheme. In the case of Spain, for individuals who had contributed for a minimum of six years to the insurance system, there was an extension for those over the age of 52 until they reached the state pension age. In the Netherlands and France, the benefit duration was calculated according to the individuals' age and contribution record. However, in addition in the Netherlands, those over the age of 57.5 received an additional period, thus representing a mix of rights and desert as the bases for eligibility. Sweden had two schemes in place with extensions for older individuals; one

with a contribution requirement and one without, thus representing a mix of desert and rights-foci. Denmark, Finland and Portugal had an additional amount available to older individuals, thus on a rights-basis.

By 2000, a number of nations had retrenched these additional benefits, including Austria where the supplementary amount was being phased out (though it continued to run until 2004); Denmark and Germany reduced the time an individual could receive the benefit for; Finland and Sweden raised the age thresholds- changes that ultimately retained the original focus of the decommodification policies. However, the Netherlands added a scheme whereby those over the age of 57.5 could remain in receipt of unemployment benefits until the age of 65 if they had made a certain level of contributions, thereby moving closer to a desert-based model (yet there remained a more limited extension for those over the age of 57.5 regardless of contributions). France also expanded its unemployment benefit options for older individuals by adding a new route for those with 40 years contribution whilst at the same time, the existing scheme's age threshold was raised. Portugal too retrenched its early exit policy by including a contribution requirement of 20 years for the benefit extension from the age of 55 to 60.

Within a further five years, Belgium had raised the eligibility age and contribution requirement for the additional benefit. Denmark, Finland and Germany retained the extended benefit duration, though they had been reduced since 1995. France too by 2005 had replaced the ACA (*Allocation Chômeurs Âgés*) with a means-tested allowance (*allocation équivalent retraite* [AER]) with the same contribution requirement, as well as introducing a benefit supplement for those who had made contributions for five of the previous ten years (*Allocation de solidarité spécifique*, ASS). However in Austria, though the unemployment benefit had been phased out, a new extension was in place for those over the age of 50 who had contributed for nine of the previous 15 years. Luxembourg, Greece and Spain made no modifications to the unemployment benefits throughout the entire period. By this year, Sweden had disbanded the additional benefit duration. Of the remaining nations, Ireland, the UK and Italy had no special supplements or extended durations for older individuals.

With regard to job search exemptions, Austria, Denmark, France, Germany, the Netherlands and Spain allowed older individuals to receive unemployment benefits without actively seeking work in 1995 with no other criteria than age, thereby adopting a rights-based approach. Belgium exempted individuals receiving the desert-based unemployment benefit extension, those unemployed for two years or with a reduced working capacity.

Within five years, Denmark and Germany had raised the age threshold for mandatory job search however France expanded the exemption to those with 160 contribution months at the age of 55, whilst retaining the general rule of 57. Austria had abolished the job search exemption entirely. By 2005, Denmark had raised this age threshold again and Spain had removed the exemption and applied the same conditionality to older job seekers as their younger counterparts. In the Netherlands, those over 57.5 were no longer exempt from actively seeking work, however the Work and Social Assistance Act gave municipalities discretion to exempt certain individuals aged 57.5 to 64 years of age who were deemed to have little chance of re-employment. In Belgium, those under the age of 57 were required to engage in job search if they had become unemployed since 2002. Germany retained the exemption over the entire period, though the age threshold had been increased. Finland had in place no *de jure* job search exemptions over the ten years, though the unemployment tunnel effectively provided a *de facto* route (OECD, 2005e). In terms of additional unemployment and job search exemptions, Italy, Ireland, Luxembourg and the UK had in place no special rules for older individuals. These changes and policy approaches are summarised in Table 6.1.

Table 6.1 EU15 nations' decommodification approaches vis-à-vis early exit

	EU nations re: early exit									
			Unemployment benefit extension			Job search exemption				
	'95	'96-99	'00	'01-04	'05	'95	'96-99	'00	'01-04	'05
A	D	Retrenched UBE phased out	D	Retrenched UBE phased out	D	R	Abolished	-	-	-
B	D	Expanded +D route	D	Retrenched ↑AT and C	D	D	Unreformed	D	Abolished	D
DK	R	Retrenched (↓UB duration)	R	Unchanged	R	R	Retrenched ↑AT	R	Retrenched ↑AT	R
FIN	R	Retrenched ↑AT	R	Unchanged	R	-	-	-	-	-
F	D	Expanded +D route Retrenched ↑AT	D	Retrenched +MT	D	R	Expanded +D route	D/ R	Unchanged	D/ R
D	D	Retrenched UB duration↓	D	Retrenched UB duration↓	D	R	Retrenched ↑AT	R	Retrenched ↑AT	R
EL	D	Unchanged	D	Unchanged	D		-		-	
IRL		-		-			-		-	
I		-		-			-		-	
LUX		-		-			-		-	
NL	D/ R	Expanded +D route	D/ R	-	D/ R	R	-	R	Abolished	
P	R	Retrenched +C and P	D	Unchanged	D		-		-	
ES	D	Unchanged	D	Unchanged	D	R	Unchanged	R	Abolished	
S	R	Retrenched ↑AT	-	Abolished			-	-	-	-
UK		-		-			-	-	-	-

**KEY:**

LM = Labour Market-Focused

Decommodification

R = Rights-Focused

Decommodification

D = Desert-Focused

Decommodification

- = Not applicable

AT= Age threshold

C= Contributions

UBE= Unemployment benefit extension

P= Penalties for early exit/ retirement

MT= means-testing

### 6.1.2 Active Labour Market Policies

The general conclusion from the data could be that EU15 nations have indeed adopted active labour market policies (ALMPs) tailored for older individuals that could be considered part of a move towards an active ageing agenda. However, once again this is too simplistic, ignoring the rate and type of policies adopted in the various nations. What the data demonstrate is that nations adopt different mixes of ALMPs for older individuals, and thus do not sit neatly within one quarter of Dean's (2006) aforementioned taxonomy of welfare-to-work approaches (see Figure 2.1). In terms of timing, for the great majority 1996-2000 was the main period of activity in this respect, with some nations maintaining their efforts whilst others reduced policy introduction between 2001 and 2005.

In terms of nations which introduced ALMPs for older individuals comparatively early, France had in place subsidies (*Contrat d'initiative employ*) and social security contribution exemptions (*Contrat emploi solidarité*) for older employees in 1995, and these therefore could be considered as pseudo-‘active job creation’ measures in terms of Dean's taxonomy. There was also the *Delalande* scheme whereby employers who made older workers redundant would be required to pay a penalty (thus representing an ‘insertion’ welfare-to-work policy). Germany similarly had in place subsidies and employers were exempt from the social security contributions for older employees in ‘mini jobs’ and Greece provided individuals over the age of 54 with subsidies for employment (again, both representing pseudo-job creation policies). In 1995 the Netherlands also had in place ‘insertion’ policies, defending the ‘right to work’ in the form of protection from unfair dismissals and age discrimination. Luxembourg is distinct among those nations which implemented ALMPs relatively ‘early’ (i.e. prior to 1996) in that though in 1995 there was a scheme whereby employers were reimbursed when they employed an older individual, over the following five years, no new policies were introduced and limited efforts were made between 2001-2005. Both Italy and Spain promoted the right to work in their constitutions.



Greece implemented a range of ALMPs over the following five years, including more subsidies and ‘human capital development’ in the form of training and lifelong learning measures. In addition, between 2001 and 2005 anti-ageism legislation was introduced as part of the ‘insertion’ focus. France maintained its commitment to ALMPs in the following five years, redoubling its efforts from 2001 to 2005. The policies introduced between 1996 to 2000 in Germany embodied pseudo-job creation (subsidies) and human capital development (training). This trend continued over the next five years, with the addition of human capital development (training) and insertion measures (anti-ageism legislation). The Netherlands also introduced new ALMPs between 1996 to 2000, including training, subsidies, tax deductions and penalties for employers making older individuals redundant (presenting a mix of human capital development, pseudo-job creation and insertion).

The vast majority of EU15 nations introduced ALMPs for older individuals between 1996 to 2000. Austria, Belgium, Denmark, Finland, Ireland, Spain and Sweden implemented a range of ALMPs for older workers in this period, encompassing a mix of Dean’s (2006) approaches. Austria’s new policies included insertion (the bonus-malus scheme, AMS projects, anti-ageism legislation), coercive (in a pseudo-sense through the job search requirement) and human capital foci (training). With regard to Belgium, subsidies, reduced employer contributions, anti-ageism legislation and job placements were created. In Denmark, older workers had to engage in job search and activation measures (coercive welfare-to-work in Dean’s typology) whilst job creation took place (in terms of subsidies and new work in the public sector) between 1996 to 2000. Subsidies, anti-ageism legislation and human capital development in the form of training were introduced in Finland. Ireland and Spain too created anti-ageism legislation and training measures. Sweden provided jobs, improved human capital through training and introduced tax reductions. The UK retained its voluntaristic approach to age discrimination, launching awareness-raising campaigns, whilst lowering age limits for training. In addition, a scheme for those over 50 was created which provided a subsidy for those earning below a certain threshold upon their re-entry into employment.

In the following five years, Austria, Belgium, Denmark, Ireland and Spain maintained their commitment to this policy approach. In the case of Austria, the range of ALMPs were expanded to include more subsidies, human capital development through training and increased penalties as well as exemptions from employers' social security contributions for older workers. Belgium too created new subsidies and anti-ageism legislation, whilst Denmark increased its coercive focus and also improved measures to ameliorate age discrimination. Ireland introduced tax exemptions and improved its anti-ageism legislation. Spain adopted a coercive approach, requiring all older individuals to engage in job search and activation measures, as well as human capital measures and the introduction of temporary contracts. Denmark too increased its coercive focus and introduced anti-ageism legislation. Finland implemented fewer policies in this period, focusing largely on vocational training and anti-ageism legislation. Sweden did not maintain its efforts with regard to ALMPs for older individuals. The UK introduced an additional awareness-raising campaign ahead of anti-ageism legislation (introduced in 2006). Subsidies (representing pseudo-job creation), training (human capital development) and increased penalties for employers dismissing older workers (insertion) were introduced in Austria from 2001 to 2005. The anti-ageism legislation in Belgium was improved and more subsidies were introduced.

Portugal also began to implement policies in the period of 1996 to 2000 but these overwhelmingly focused on the training and education of older individuals. From 2001 onwards, Portugal adopted a more encompassing approach, addressing health and safety in the workplace, flexible employment and public information campaigns. Though Italy had in place some ALMPs pre-1996, from 1996-2000 no new measures were introduced. In the following five years, a broader range of ALMPs were implemented including lifelong learning, anti-ageism measures and social security exemptions.

## **6.2 Pension Policies**

### *6.2.1 State Pension Age*

EU15 nations' state pension ages presented an area of divergence over the entire period. Austria and the UK had different state pension ages for men and women

throughout the ten years. Belgium however initially had a flexible pension system in place in 1995, yet in principle the ages were 65 for men and 60 for women; exit earlier than these ages would have resulted in a reduction. This was disbanded by 2000 and the pension age was gradually increasing for women to be harmonised with men. The Portuguese system harmonised the state pension ages for men and women by 2000.

The Greek and Italian systems had two state pension systems in place for different birth cohorts. In terms of the Greek system, the older cohort was subject to a system with differential ages for men and women; the younger cohort's pension ages were harmonised. The Italian system increased the state pension age for both genders for different cohorts, yet the ages remained unharmonised. In addition, there was a flexible pension age instituted for individuals with less than 18 years of insurance by 1996 (between 57 and 65 years).

Luxembourg, Germany, the Netherlands and Spain retained their pension ages at 65 for both genders for the entire period (although in the case of Germany, the early retirement scheme specifically for women often provided a de facto lower state pension age). Ireland had two pensions in place at 65 and 66 years of age and France had a comparatively low state pension age at 60 years of age for the entire period. Denmark originally had a relatively high pension age, set at 67 in 1995 which was lowered by 2005 to 65 years. The state pension age in Finland was 65 in 1995 but within ten years, it had been replaced by a new flexible state pension age with accrual rates to encourage longer working lives between the ages of 63 and 67. In addition, in Sweden the state pension age was 65 in principle though there was the universal option of retiring earlier with a reduced pension.

### *6.2.2 Early Retirement Routes*

It could be argued that the nature of the early retirement routes available in 1995 dictated the path retrenchment or reform took over the following ten years. Retrenchment itself in the EU15 nations came in a variety of forms, including the introduction or increase of penalties, age thresholds, contribution requirements as well as the reform of

accrual rates to incentivise longer working lives or the total closure of early retirement schemes. This section again groups nations in terms of the guiding principle upon which decommodification was bestowed in 1995: whether they were desert- (categorised as policies with a contribution threshold), labour market- (as policies available to certain sectors or with replacement requirements), rights-focused (available universally to all citizens above a certain age), or indeed a mix of these. The UK is also distinct in that it did not have any state-provided early retirement schemes in place for the entire ten year period and therefore is not included in this section.

Some of the EU15 nations had in place ‘rights-focused’ policies for decommodification in that they were universally available and thus the main eligibility criterion was age (and this was an area of variation between EU15 nations). For example, Sweden had a flexible, universal early retirement route, with the option to exit early at the discretion of the individual. This arrangement underwent retrenchment and by 2000, the lower age threshold had been raised. Within a further five years, a new system had been launched for younger birth cohorts that encouraged longer working lives through its accrual rate.

The Netherlands too had in place only a single early retirement policy, though with a rights’ focus which it retained over the entire period for older individuals. Indeed, the policy in question was a disability scheme open to all ages, but with longer periods of receipt for older individuals. These individuals would also not be subject to the subsequent reforms that required younger recipients to have their health periodically reassessed. In the case of Ireland however, though there was only one means-tested early retirement scheme for unemployed individuals, it was unreformed for the entire period.

Denmark’s retrenchment of its early exit routes was significant. Initially, there was a general route for those with extensive insurance records as well as a contribution requirement for the long-term unemployment scheme (which acted as a prelude to the former). However, in addition there was a rights-based universal route available to those whose labour market prospects were diminished, either due to social or health reasons. In

the period of 1996-2000, the contribution thresholds and penalties were increased and the route for the long-term unemployed was closed to new entrants. The rights-based route was also significantly retrenched in that those who were previously eligible were instead placed in subsidised employment. Denmark therefore moved from a mix of desert- and rights-focused decommodification policies to a greater focus on the former as a requirement and with penalties to discourage the use of early retirement policies.

In the case of nations where the early retirement schemes had a desert-focus in 1995, as the application of contribution requirements had been pre-empted, retrenchment took of other forms. In Austria in 1995, all early retirement routes, including those for the unemployed, had a contribution requirement (this could be waived from the disability scheme in instances of a work accident). Thus the retrenchment undertaken in the following five years included the application of penalties for individuals utilising these routes and the raising of age thresholds. In 1995, Germany had several schemes with contribution thresholds and thus adopted a desert-based system. By 2000 and penalties were added to the desert-based early retirement routes to discourage individuals from exiting early.

By 2005, both Austria and Germany introduced two schemes for different birth cohorts, allowing them to create a system for younger generations that was significantly less generous without completely eroding the earned rights of older generations (this is not to say the latter were not also being curtailed). This therefore also allowed these nations avoid political flak for reneging on existing pension contracts whilst at the same time ensuring that younger cohorts would not come to expect to be decommodified in their older age. The German system for the younger birth cohort contained less potential for decommodification, which was entirely contingent upon desert with significant reductions to final pension amounts for those taking these policy options. In the case of Austria, under the system for the younger birth cohorts, the level of accrual increased with age, thus making the individual's contribution record of secondary importance as in order to receive a reasonable pension amount, the individual had to continue working later in life.

In the case of Finland though there was a strong desert-focus in 1995, penalties were in place for some of the early retirement routes. Over the following five years, these reductions were applied across the majority of the schemes, yet the percentage was reduced. By 2005 Finland too introduced a similar system of accrual as Austria yet did not differentiate between birth cohorts, instead introducing a flexible system that discouraged early exit by effectively increasing the number of contribution years required. Thus Finland moved from a desert-focused system to a rights-based model whereby the option to exit early was universally available in terms of policy, though in reality, individuals' contribution records would dictate their pension amount and perhaps their ability to take up this option.

In 1995, the decommodification policies of Italy and Luxembourg all had a mix of a desert- and labour- market foci. Indeed, Italy's dual state pension ages were conferred as a matter of desert. Over the following ten years, Italy retained their routes for cases of economic difficulty, whilst the route for extensive contribution records was retrenched through the increase in the insurance threshold by 2005. Luxembourg, like Italy had in place decommodification policies with a mix of desert- and labour market-focus in 1995, yet unlike Italy, undertook no reforms over the entire period. In the case of Luxembourg, some of these routes contained contribution requirements and some required the replacement of the older worker with an individual from the unemployment register.

Certain nations had in place many early retirement schemes that focused on particular occupations, forms of labour or with replacement criteria which were largely the result of dialogue between unions and the state. In the case of Greece, two systems were in place for the entire period for different birth cohorts. These schemes in 1995 contained a mix of requirements, offering exit to those in certain kinds of labour and more universally with a reduction to the final pension amount for both birth cohorts. From 1995 onwards, these routes were retrenched through the addition of reductions and in the case of the younger cohorts, the removal of certain schemes. Within a further five years, contribution requirements were added to all routes, even those for certain forms of

employment, thus altering the basis of early retirement eligibility from largely focusing on labour market requirements. In addition, new routes were added for mothers which too contained contribution requirements. This additional desert-focus for the early retirement schemes was retained for the remainder of the period (it should be remembered that the early exit option of an extended unemployment benefit duration in Greece was also contingent on contributions for the entire ten year period).

Portugal focused on the labour market with regard to its early retirement policies in 1995 though when considered holistically with the early exit options, a rights element was present (see Table 6.3). With regard to early retirement, there was a scheme available for arduous labour or certain industries from the age of 55 in addition to early retirement for the unemployed at the age of 60. Portugal, between 1996-2000, actually added a new route for long insurance durations with reductions for exit prior to the state pension age, whilst at the same time adding a contribution requirement to the unemployment route. Thus Portugal moved towards a mix of a desert- and labour-market focused system, which acted to curtail access to the early retirement options.

As with Portugal, the retirement schemes available in Belgium in 1995 were for instances of economic difficulty, some of which contained the criteria that the older individual should be replaced by an individual from the unemployment register. Thus the early retirement policies focused on the labour market yet when combined with the early exit schemes, the picture is altered to represent a mix with desert. By 2000, Belgium had closed off the flexible state pension age, though instead individuals with 20 insurance years could retire at 60, and a scheme for long insurance durations with penalties was added. At the same time, the age thresholds for one of the labour market schemes had been lowered to 60. The period of retrenchment was from 2000 to 2005, with the increases to contribution requirements and age thresholds limiting the number of successful applicants for the desert-focused scheme. Thus Belgium's reform resulted in a mixed desert and labour market approach and the subsequent retrenchment focused on the former element of their decommodification approach.

France too had in place early retirement routes for instances of economic difficulty which were further expanded with the inclusion of schemes for certain occupations and industries by 2000. This trend continued over the next five years, with the closure of more general schemes that had been in place in 1995 whilst occupation- or industry-specific routes were expanded. Thus France, unlike Greece, retained and strengthened its labour market-focus over the ten year period.

In 1995, Spain had a mixed approach to decommodification, including elements of a desert- and labour market-focus, with schemes for individuals with a certain level of contributions (the early retirement scheme for those with 15 contribution years prior to 1967 and the benefit extension for those with six contribution years) as well as three routes for arduous labour and economic crises. By 2005, the desert focused route had been expanded through the addition of those who had contributed for 30 years, not necessarily prior to 1967.



Table 6.2 EU15 nations' decommodification approaches vis-à-vis early retirement

	1995	1996-1999	2000	2001-2004	2005
A	D	Retrenched (+P, ↑AT)	D	Retrenched (+P, ↑AT, abolished schemes) Reformed (new system for younger cohorts)	D/R
B	LM	Expanded (+C route with P, ↓AT for LM)	LM/ D	Retrenched (↑AT and C)	LM/ D
DK	R/D	Retrenched (+P, abolished schemes)	D	-	D
FIN	D	Retrenched (+P, ↑AT)	D	Retrenched (↑AT, abolished schemes) Reformed (new flexible system)	R
F	LM	Expanded (+ LM routes)	LM	-	LM
D	D	Retrenched (Phased ↑AT, P)	D	Retrenched (↑AT, P)	D
EL	LM	Retrenched (+P and C)	LM/ D	Expanded (+C route)	LM/ D
IRL	R	-	R	Unchanged	R
I	LM/ D	Retrenched (limited C to LM)	LM/ D	Retrenched (↑AT and C)	LM/ D
LUX	LM/ D	-	LM/ D	-	LM/ D
NL	R	-	R	-	R
P	LM	Expanded (+C route, P)	LM/ D	-	LM/ D
ES	LM/ D	Reformed (P↓ for redundancy)	LM/ D	Expanded (+C route)	LM/ D
S	R	Retrenched ↑AT	R	Reformed (new system for younger cohorts)	R
UK	-	-	-	-	-

**KEY:**

LM = Labour Market- Focused Decommodification;

R = Rights-Focused Decommodification;

D = Desert-Focused Decommodification

- = Not applicable

AT= Age threshold

C= Contributions

P= Penalties for early exit/ retirement

With regard to the *character* of early retirement reforms undertaken, desert-focused nations generally retrenched initially through the raising of age and contribution thresholds and the imposition of penalties for those taking the option of decommodification. In the latter period (2001 onwards), these nations either introduced a rights-based model whereby the individual's pension age was flexible and the amount was dependent upon their accrual of insurance years for the entire population (Finland) or for younger age cohorts (Austria). Germany too created a new system for younger cohorts which was narrower in terms of decommodification options.

The nations with a labour market-focus tended to retain these schemes, largely untrenched as was the case of France. In addition, these nations also added either a desert-element to their labour-market focused early retirement schemes (Greece) or introduced additional routes with contribution requirements. In terms of the latter, Portugal initially focused on the labour market with its early retirement policies, introduced a new desert-focused route, thus shifting this nation to include a desert element to the early retirement policies (especially when the addition of the contribution requirement for the unemployment benefit extension is also considered). Belgium too added desert-focused early retirement schemes, which were subject to retrenchment through the increase of age thresholds and the application of reductions for those in receipt.

Ireland, Sweden and the Netherlands retained their rights-based decommodification options, possibly because they were limited in number from the beginning of the period and thus did not represent a major policy concern. In the case of Denmark where there was a mix of rights and desert, the latter became dominant, thereby emphasising decommodification in older age had to be earned.

As aforementioned, the de facto early exit options such as job search exemptions and extended benefit durations need to be considered in conjunction with the de jure early retirement routes to establish a true sense of nations' decommodification approaches. As

Table 6.3 demonstrates, in some nations when these policies are combined, they represent a site of contradiction and tension (for example in the cases of Greece and Portugal in 1995, when early exit and retirement were considered together, the decommodification focus is mixed). However Table 6.3 does not include the reform or retrenchment of policies due to space constraints, only the decommodification approach at set points in time; as such it appears to represent a great deal of continuity. As Tables 6.1 and 6.2 demonstrate, a great deal of reform and retrenchment was in fact undertaken. This will be explored further in Section 6.3.

Table 6.3 EU15 nations' decommodification approaches combined

Country	EU nations re: early exit						EU15 Nations re: early retirement			Overall decommodification approach		
	Unemployment benefit extension			Job search exemption								
	1995	2000	2005	1995	2000	2005	1995	2000	2005	1995	2000	2005
A	D	D	D	R	-	-	D	D	D/ R <sup>38</sup>	D	D	D
B	D	D	D	D	D	D	LM/ D	LM/ D	LM/ D	LM/ D	LM/ D	LM/ D
DK	R	R	R	R	R	R	D/ R	D	D	D/ R	D/ R	D/ R
FIN	R	R	R	-	-	-	D	D	R	D/ R	D/ R	R
F	D	D	D	R	D/ R	D/ R	LM	LM	LM	LM/ D	LM/ D	LM/ D
D	D	D	D	R	R	R	D	D	D	D/ R	D/ R	D/ R
EL	D	D	D	-	-	-	LM	LM/ D	LM/ D	LM/ D	LM/ D	LM/ D
IRL		-	-	-	-	-	R	R	R	R	R	R
I <sup>39</sup>		-	-	-	-	-	LM/ D	LM/ D	LM/ D	LM/ D	LM/ D	LM/ D
LUX	-	-	-	-	-	-	LM/ D	LM/ D	LM/ D	LM/ D	LM/ D	LM/ D
NL	D/ R	D/ R	D/ R	R	R	-	R	R	R	D/ R	D/ R	D/ R
P	R	D	D	-	-	-	LM	LM/ D	LM/ D	LM/ R	LM/ D	LM/ D
ES	D	D	D	R	R	-	LM/ D	LM/ D	LM/ D	LM/ D	LM/ D	LM/ D
S	D/ R	-	-	-	-	-	R	R	R	R	R	R
UK	-	-	-	-	-	-	-	-	-	-	-	-

**KEY:** LM = Labour Market- Focused Decommodification  
R = Rights-Focused Decommodification  
D = Desert-Focused Decommodification

<sup>38</sup> The rights-focus here applies to younger birth cohorts.

<sup>39</sup> However, Italy did have two state pension systems, access to which was contingent on contribution pre-1996.

### *6.2.3 Deferment*

Incentives for the deferral of pension receipt were also an area of significant divergence amongst EU15 nations, both in terms of the policies in place in 1995 and the direction reforms took over the following ten years. Austria had in place increases for deferment in 1995, with heightened bonuses for increased age. These were raised by 2000 and more so by 2005. Denmark also had in place a bonus for deferment in 1995 that was comparatively generous (however, it should be remembered that the state pension age was set at 67). By 2000, this had been increased further with an additional bonus amount between the ages of 62 and 65. However, Denmark became less generous by 2005 with bonuses only available if the individual worked more than 1,500 hours per year (above the national average). Germany, Sweden and the UK also retained bonuses for deferment over the entire period. Finland also became less generous, reducing the bonus over the ten years. Luxembourg removed the bonus for deferment by 2005, instead opting to refund the individual their pension contribution at the end of the year. France, Italy and Spain allowed individuals to increase their pension amount in instances where they had not accrued sufficient pension rights. Portugal instead only provided bonuses in instances where the individual had made a certain level of insurance contributions. Greece only introduced a bonus for deferment by 2005. Belgium, Ireland and the Netherlands never provided any bonuses for deferment throughout the entire ten year period.

### **6.3 Conclusion**

As aforementioned, the various policy areas need to be considered in conjunction so as to adequately address EU15 nations' progress towards the active ageing ideal, and the degree to which there is convergence or divergence amongst these nations. Table 6.3 combines both early exit and early retirement to assess nations' decommmodification approaches whilst Tables 6.4, 6.5 and 6.6 attempt to summarise the nations' approaches in a holistic sense to address the shape retrenchment and reform took. The nations have been classified according to whether their policy changes regarding unemployment and pension policies adopted the EU's active ageing approach in a comprehensive, mixed or limited fashion. This categorisation takes into account not only the final policy situation

in 2005, but also considers the initial policy context and the character of subsequent reforms.

### *6.3.1 Comprehensive*

Some EU15 nations adopted a comprehensive active ageing approach in that the options for decommmodification had been retrenched (i.e. access to early exit and retirement routes had been curtailed or barred altogether, and/ or there had been increases to state pension ages) whilst policies for the recommodification of labour had been introduced (such as ALMPs and incentives for the deferral of state pension receipt). However, as aforementioned, the timing of these policy changes is also important and an area of variation. The general approach was that policies for the promotion of the recommodification of labour were introduced first or alongside the retrenchment of decommmodification options. Thus nations provided alternatives to decommmodification so as to ensure that individuals who would previously have been eligible would have recourse other than inactivity once early exit and retirement routes were retrenched. These nations' policies are summarised in Table 6.4.

Austria adopted a comprehensive active ageing strategy, retrenching early exit and retirement routes, whilst expanding active labour market policies and incentives for labour market participation. In this initial period, from 1995 to 2000, Austria retrenched the early exit options available including the additional benefit supplements and job search exemption, whilst the early retirement routes had penalties and increased age and contribution thresholds. Over the same five years, a range of ALMPs were introduced, including insertion, human capital and coercive elements, and the incentives for deferral were increased. From 2001 to 2005, Austria continued along this policy trajectory, maintaining the retrenchment of early retirement schemes through the creation of a dual system for different cohorts whilst more ALMPs were created and the incentives for deferral were increased.

Germany adopted a similar approach to Austria, retrenching the benefit supplements, adding penalties for early retirement routes whilst expanding the ALMPs

for older individuals over the period of 1996 to 2000 (having initially focused on demand-side measures). However, unlike Austria, Germany had in place ALMPs in 1995 including subsidies and an exemption from employers' social security contributions. As was the case with Austria, the following five years saw the retrenchment of the job search exemption (but not its removal) and the creation of two early retirement systems for different birth cohorts, both of which were retrenched in comparison to those available in 1995. Austria and Germany had in common desert-focused early retirement schemes; thus as other nations retrenched their early retirement schemes through the addition of contribution requirements, Austria and Germany followed a different policy trajectory through the addition of penalties initially and then through the creation of a dual system for different cohorts.

Finland similarly moved towards a comprehensive active ageing approach by 2005. The benefit supplements were retrenched in the first five years whilst ALMPs were introduced, including subsidies, training and anti-ageism legislation. In addition, there was the move towards a flexible system by 2005 for all birth cohorts, possibly because Finland's early retirement routes already had a desert-focus with penalties in 1995, thereby limiting the ability to narrow routes through increased contribution requirements or disincentives. However, over the ten years, the bonuses for deferral were reduced.

Sweden too could be classed as having adopted a comprehensive active ageing approach during the ten year period. The active labour market policies adopted from 1996 onwards encompassed job creation, human capital development and tax reductions. In addition, the flexible early pension system for younger cohorts and deferral policies incentivised longer working lives. In terms of the former, though it was universally available, the system of accrual would have encouraged individuals to remain in the labour market as long as possible to secure an adequate pension income.

Denmark similarly produced an interesting policy mix with regard to active ageing policy. Throughout the period, early exit through benefit supplements was retained (though retrenched) whilst the early retirement schemes, which were already limited in

1995, were further retrenched over the ten years. In addition, a comprehensive range of ALMPs were introduced from 1996 onwards yet the bonuses for deferral were reduced by 2005. In terms of Dean's typology, Denmark had a coercive ALMP-focus yet at the same time, jobs were created in the private sector.

The Netherlands has some similarities with Denmark in that the early retirement schemes in place in 1995 were already limited and yet retrenchment was still undertaken over the following ten years. Also, like Denmark, early exit in the form of unemployment benefits were retained over the entire period, though this was partly contingent on contributions and the job search exemption was retrenched. The Netherlands however introduced a range of ALMPs early in comparison to other EU15 nations, with some measures in place in 1995. Both Denmark and the Netherlands had less of a decommodification focus in 1995 and therefore had less far to travel towards the active ageing agenda in comparison to other EU15 nations.



Table 6.4 EU15 Nations with a 'comprehensive' active ageing approach

Labour Market Policies				Pension Policies			Policy trajectory
	Unemployment	ALMPs	SPA	Early retirement	Deferment		
A	1995	Early exit	-	Unharmonised	Desert-focus	Incentives	Comprehensive active ageing approach
	96-00	Retrenched	Insertion; (pseudo) job creation; HC development	Retained	Retrenched	Increased	
	01-05	Abolished/ phased out	HC development; (pseudo) job creation; insertion	Retained	Two systems: Desert/ rights	Increased	
D	1995	Early exit	(Pseudo) job creation	Harmonised	Desert-focus	Incentives	Comprehensive active ageing approach
	96-00	Retrenched	(Pseudo) job creation; HC development	Retained	Retrenched	Retained	
	01-05	Retrenched	(Pseudo) job creation; HC development; insertion	Retained	Two systems: Desert	Retained	
FIN	1995	Early exit.	-	Harmonised	Desert-focus	Incentives	Comprehensive active ageing approach
	96-00	Retrenched	(Pseudo) job creation; HC development; coercion; insertion	Retained	Retrenched	Reduced	
	01-05	Retained	Insertion; HD development	Flexible	Reformed→Rights	Reduced	
S	1995	Early exit	-	Harmonised	Rights-focus	Incentives	Comprehensive active ageing approach
	96-00	Abolished	Job creation; HC development	Retained	Retrenched	Retained	
	01-05	-	No new measures	Retained	Rights-focus	Retained	
DK	1995	Early exit	-	Harmonised	Rights/desert-focus	Incentives	Comprehensive active ageing approach
	96-00	Retrenched	Coercive; job creation	Unchanged	Retrenched →Desert	Increased	
	01-05	Retrenched	Coercive; insertion	Reduced	Retained	Reduced	
NL	1995	Early exit	Insertion	Harmonised	Rights-focus	None	Comprehensive active ageing approach
	96-00	Retained	(Pseudo) job creation; insertion; HD development	Retained	Retained	Retained	
	01-05	Retrenched	Coercive; HC development	Retained	Retained	Retained	

### *6.3.2 Mixed*

As cited in the introduction to this chapter, several nations made moves in some areas towards the ethos of active ageing while in others they remained lacking. Belgium acted comparatively late in terms of moving towards an active ageing agenda; this is not to say that by 2005, no progress toward the EU ideal had been made. In terms of the early exit schemes, Belgium abolished the supplements for older individuals by 2000 and by 2005, the job search exemptions were also removed. However, over the period of 1996-2000, Belgium expanded its early retirement policies, only to then move towards retrenchment through the application of penalties and an increase in the contribution requirements over the following five years. Also, from 1996 Belgium had introduced a mix of ALMPs, including subsidies, anti-ageism legislation and job placement, yet did not provide incentives for the deferral of pension receipt.

Greece also presented a mixed picture, on the one hand introducing ALMPs comparatively early whilst on the other retaining a great many early retirement routes (though for younger cohorts, the options were more limited). However, by 2005, bonuses for deferment were launched in line with the EU's recommendations and the early retirement schemes had shifted towards a mix of desert- and labour-market focus, thereby reducing the level of successful applicants. Ireland too had a mixed active ageing policy approach, having introduced a comprehensive range of ALMPs from 1996 onwards, yet the early exit route was retained (yet it should be noted the Irish system was limited to one scheme, though it was available on a rights-basis to those over the age of 55) and no incentives for deferral were introduced.

France produced a different mix with regard to active ageing policies. As the early retirement schemes were very much used as labour-market measures so as to allow firms to shed older workers or were the result of occupational agreements, these were expanded over the ten year period whilst more general schemes were reduced. Indeed, the early exit routes in the form of unemployment benefit supplements were also expanded. Simultaneously, a range of ALMPs were introduced from the relatively early point of

1995 and the deferral of state pension receipt would increase the pension amount for those with insufficient credits.

Italy too expanded its early retirement schemes which acted as labour market measures through the stipulations regarding replacement labour or economic circumstances. At the same time, the contribution requirement for the desert-focused route was increased. Also, no early exit through extended unemployment benefits or job search exemptions was permitted in Italy throughout the entire period. Italy's ALMP introduction was limited between 1996 to 2001 from which point onwards a range of policies were introduced. In addition, a flexible retirement age was created for younger age cohorts and those with limited contribution requirements pre-1995. This system focused on accrual through contribution years and allowed individual to exit between 57 and 65 years of age.

Table 6.5 EU15 nations with a 'mixed' active ageing approach

Labour Market Policies						Pension Policies		Policy trajectory	
Unemployment			ALMPs	SPA	Early retirement	Deferment			
B	1995	Early exit	-		Unharmonised	Labour market	-	Mixed: Late retrenchment of early exit routes; introduced ALMPs; no deferment.	
	96-00	Expanded	(Pseudo) job creation; insertion		Retained	Expanded → Labour market/ desert	-		
	01-05	Retrenched	(Pseudo) job creation; insertion		Harmonised	Retrenched	-		
EL	1995	Early exit	(Pseudo) job creation		Two systems for different birth cohorts	Labour market	-	Mixed: Early exit and early retirement retrenched (though still extensive); ALMPs and incentives for deferment introduced.	
	96-00	Unchanged	Job creation, HC development	Retrenched, Labour market/ desert		-			
	01-05	Unchanged	(Pseudo) job creation; insertion; HC development	Labour market/desert		Incentives			
IRL	1995	Early exit	-		Harmonised	Rights	-	Mixed: Early exit and early retirement routes retained; ALMPs launched.	
	96-00	Retained	Insertion; HC development		Retained	Retained	Retained		
	01-05	Retained	(Pseudo) job creation; insertion		Retained	Retained	Retained		
I	1995	-	Insertion; HC development		Two systems: Unharmonised / flexible	Labour market/desert	Selective	Mixed: Early retirement schemes expanded; ALMPs launched.	
	96-00	-	Insertion; HC development			i. raised but unharmonised	Labour market/desert		Retained
	01-05	-	Insertion; HC development			Retained	Retrenched		Retained
F	1995	Early exit	(Pseudo) job creation; insertion		Harmonised	Labour-market focus	Selective	Mixed: Retained early exit and early; introduced a range of ALMP comparatively early.	
	96-00	Expanded	(Pseudo) job creation; insertion		Retained	Expanded	Retained		
	01-05	Retained	(Pseudo) job creation; insertion; HC development		Retained	Retained	Retained		

### *6.3.3 Limited*

In comparison with other EU15 nations, Luxembourg took limited steps towards adopting an active ageing agenda, with the retention of early exit and retirement routes, few ALMPs introduced and the removal of incentives for deferral moving in the opposite direction of EU recommendations. Portugal too undertook limited moves towards adopting an active ageing agenda, retaining early exit through unemployment benefits, expanding early retirement schemes (though with the addition of penalties and contribution requirements) and relatively late introduction of ALMPs (with the bulk of measures coming into force from 2001). Spain also made limited progress towards active ageing. Despite the addition of ALMPs for older workers, the early exit and retirement routes were either retained or expanded by 2005. The UK represents an outlier in that it had in place no early exit or retirement routes in place for the entire period. Yet unlike Denmark and the Netherlands who also had limited decommodification options, the UK only introduced limited ALMPs though there were incentives for the deferral of state pension receipt.

Table 6.6 EU15 nations with a 'limited' active ageing approach

		Labour Market Policies		SPA	Pension Policies		Policy trajectory
		Unemployment	ALMPs		Early retirement	Deferment	
P	1995	Early exit	-	Harmonised	Labour market	Selective	Limited: Early exit and early retirement; late ALMPs.
	96-00	Retrenched	HC development	Retained	Expanded Labour market/ desert	Retained	
	01-05	Retained	HC development	Retained	Labour market/ desert	Retained	
ES	1995	Early exit	Insertion; HC development	Harmonised	Labour-market/ desert	Selective	Limited: introduced ALMPs; retained/ expanded early exit and early retirement routes.
	96-00	Retained	(Pseudo) job creation; HC development	Retained	Labour market/ desert	Retained	
	01-05	Retrenched	Job creation; HC development; coercion	Retained	Expanded	Retained	
LUX	1995	Early exit	(Pseudo) job creation	Harmonised	Labour-market/ desert	Incentives	Limited: Retained early exit and retirement routes, limited ALMPs, removed incentives for deferment.
	96-00	Retained	(Pseudo) job creation	Retained	Retained	Retained	
	01-05	Retained	No new measures	Retained	Retained	Abolished	
UK	1995	-	-	Unharmonised	-	None	Limited: No early exit or early retirement from the outset but limited ALMPs introduction.
	96-00	-	Awareness-raising; (pseudo) job creation	Retained	-	Retained	
	01-05	-	Awareness-raising	Retained	-	Retained	

**KEY:**

LM = Labour Market- Focused Decommodification

R = Rights-Focused Decommodification

D = Desert-Focused Decommodification

- = Not applicable

HC development = Human Capital development (Dean, 2006).

## Chapter 7 Empirical Findings: Model Biographies

Divergence also exists in the policy approaches of EU15 nations vis-à-vis the different groups that make up the older age cohort. As the political economy of ageing literature highlights, ageing is not a uniform experience and policy is integral to the creation and maintenance differences within age cohorts. This chapter focuses on that aspect of the data and more specifically the first part examines the policy treatment of those aged 55 in accordance with their contribution records (*Laurent* with 35 contribution years and *Jean* with a disjointed work history), before addressing those aged of 63 (*Sasha* with 35 contribution years and *Jude* with a disjointed work history). The inclusion of two different ages and work histories will allow the analysis to explore the way labour market participation and age intersect to create different policy experiences. In addition, gender will be explored through the examination of differential age thresholds for males and female with regard to work and retirement policies in the EU15 nations.

### **7.1 The 50-Plus Model Biographies**

This section addresses the 50-plus model biographies as follows:

- *Laurent*: Aged 55 with 35 years of employment contributions;
- *Jean*: Aged 55 with a disjointed work history.

When examining the data with regard to *Laurent* and *Jean*, it becomes clear that the exit options open to these individuals over the ten year period in some nations have remained relatively static, as in the case of Ireland, the UK, Sweden, Germany and Luxembourg. This is not to say all of these nations did not undertake significant reforms of early exit and retirement; indeed the policy analysis and data from *Sasha* and *Jude* demonstrate this. It is instead the case that the focus of either the original decommodification policies or subsequent reforms was on older age cohorts. In addition, these nations all introduced ALMPs that could be accessed by *Laurent* and *Jean* (with the exception of Luxembourg where limited moves were made in this respect). Thus for

*Laurent* and *Jean* in these nations the period from 1995 to 2005 did not represent the departure from decommodifying policies to a more recommodifying approach either because the former trend was never present in the first place or instead that the nations remained committed to early exit and retirement.

With regard to these nations, of those undertaking no reforms to their early exit and retirement schemes, in the case of Ireland *Laurent* and *Jean* would have experienced the same policy mix throughout the ten year period, aside from benefiting from the introduction of ALMPs from 1996 onwards. Both individuals would have been able to exit at 55 via the means-tested Pre-Retirement Allowance if they had been in receipt of either the unemployment insurance or unemployment assistance for an excess of 390 days. However, a range of ALMPs were introduced, including anti-ageism legislation, employment subsidies and the Action Programme for the Long-term Unemployed and Skills Training for Unemployed and Redundant Workers which integrated the long-term unemployed into mainstream training.

Similarly, *Laurent* and *Jean* in the UK would only have been able to access an extended benefit duration throughout the ten year period had their assets been below a certain level (this threshold was higher for older individuals than the general population). However, the UK represents a distinct case in that there were no early retirement routes provided by the state. Of those nations where the decommodification policies were only available for older age cohorts, *Laurent* and *Jean* in Sweden were unable to access early retirement throughout the entire period due to their age, but could receive an extension for both unemployment insurance and assistance. However the age threshold for the latter was raised in the period of 1996-2000 and was disbanded by 2005. Equally, in Luxembourg, for *Laurent* and *Jean* the only option for exit was the extended benefit duration (which was contingent on their contribution record, not their age) as the age thresholds for the early retirement schemes were too high.

In the case of Germany in 1995, *Laurent* and *Jean* would have been able to remain on unemployment benefits whilst engaging in job search. The unemployment insurance



duration was contingent on age and contribution record, and as a result, *Laurent* could have remained de commodified until the age of 57.4 when s/he could have received a further extension, which would have been followed by early retirement at the age of 60 if still unemployed. However, at the same time, there was a less generous non-contributory unemployment assistance that *Jean* would have been able to remain on until they too reached the age of 60. Until the 2004 *Hartz* reforms the unemployment benefits system was unaltered. These reforms made these benefits less generous, with a maximum period of Unemployment Insurance (*Arbeitslosenversicherung*) limited to 18 months after which the Basic Resources for Jobseekers (*Grundsicherung für Arbeitsuchende*) would have been the only option.<sup>40</sup> With regard to the de jure early retirement routes, due to *Laurent's* age, a great many early retirement routes were barred to them; *Jean's* contribution record would continue to impede them even in advanced years. In terms of ALMPs, Germany had in place subsidies and employers were exempt from the social security contributions for older employees in 'mini jobs' in 1995, and lifelong learning and training measures were introduced in the following five years.

Of the remaining EU15 nations, in 1995 the policy approaches to *Laurent* and *Jean* can also be divided into those where de commodification was dependent upon desert through contributions (and thus presented *Laurent* with more opportunities for exit); those where de commodification was dependent upon the labour market situation (and therefore provided exit according to occupation or economic situation, thereby treating *Laurent* and *Jean* the same in certain contexts); and those which largely provided rights-based de commodification options (where the policy packages for *Laurent* and *Jean* would have been identical). As the active ageing agenda began to be adopted by EU15 nations, the policy reforms followed paths bound by the original structure of policies for older individuals which were principally related to early exit and retirement. Thus the timing and type of re commodification policies adopted were influenced by the legacy of de commodification approaches present in the nations, and this is reflected in the micro-level data.

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<sup>40</sup> In addition, from 2006 those over the age of 58.5 would have been required to engage in job search.

In the case of desert-focused systems, *Laurent's* ability to exit began to be curtailed either through the application of penalties for early retirement or increased age and contribution thresholds, whilst *Jean's* access to decommodifying policies would have been limited from the outset. The introduction of ALMPs occurred simultaneously. However, in the case of nations with early exit and retirement policies that principally focused on the restructuring of the labour force, *Laurent* and *Jean* largely retained, or indeed increased, their ability to exit early whilst any more universal schemes or desert-focused routes were retrenched. At the same time, however, in some nations desert-focus conditions began to be applied to these labour market-based options. The resilience of labour-market focused decommodification could be because these routes are the result of negotiations between the state, Unions and employers' representatives and were therefore harder to retrench, or perhaps because the ability of these policies to create vacancies for younger unemployed individuals was still felt to retain some utility. Alternatively, the notion of a 'full' career in the occupations included in these schemes may be lower than for the general population or the work undertaken may be felt more suited to younger individuals. In these nations ALMP introduction accompanied either the retention or expansion of early retirement for individuals in some industries; for those not engaged in these jobs the opportunity for, and onus on, labour market participation increased.

With regard to those nations which included a rights elements in their decommodification options, these nations retained an egalitarian approach in that the retrenchment applied to all welfare clients, regardless of their contribution record. *Laurent* and *Jean* in these nations would have equally felt the increased pressure to re-engage with or remain in the labour market over the ten year period. In terms of the nations with a rights-focused approach to decommodification, the introduction of ALMPs occurred simultaneously with the retrenchment of the decommodifying policies. It should be noted however, that some nations do not neatly fit into these categories with some presenting a mixed approach in 1995, before moving clearly into one of these groups after 1996 (as will be demonstrated in the case of Belgium and France below). As with any

categorisation, a completely perfect fit is not always possible, but the differences within classifications are less than those between.

#### *7.1.1 Desert-focused decommodification for the 50-plus (1995)*

In terms of the nations with a desert-focus, in Austria in 1995 there were reduced age thresholds for the early retirement schemes for women, allowing retirement at 55 years of age. This however presents a paradox as women effectively have less time within which to complete these insurance contributions before they reach the lower age thresholds. This, when combined with the fact that women are more likely to have an interrupted work history, reduces their access to these decommodifying policies and is reflected in the model biography analysis: if *Laurent* was female (due to their contribution record of 35 years), the opportunities for decommodification were widespread, both in terms of the early exit routes in the form of unemployment benefit supplements and job search exemptions, as well as de jure early retirement routes as contribution requirements were prevalent, even for certain industries. Had *Laurent* been male, in 1995 their exit opportunities mirrored *Jean's* whereby early exit was limited to a job search exemption and early retirement in the instance of a work accident, irrespective of gender. In addition, if *Laurent* was male, he could have exited at 51 if employed as a miner.

However, within five years, the decommodification options available to a female *Laurent* had begun to be curtailed through the removal of the job search exemption and penalties in the form of reduced pension amounts for those opting to exit early. *Jean's* exit possibilities were also reduced due to the removal of the job search exemption and the early retirement scheme for those with a reduced working capacity. At the same time, the options of remaining in or re-entering the labour market were strengthened through the creation of ALMPs encompassing insertion and human capital development. *Jean* however, was barred from the employment project as they were equally unable to access any early retirement routes. By 2005, the early retirement options were further limited through the increase of age thresholds, thus barring *Laurent* in all cases except for the mining industry, irrespective of gender. Both *Laurent* and *Jean* would have faced

increased compulsion to re-enter the labour market if unemployed, though a new benefit extension was available to the former on the grounds of their contribution record. The introduction of ALMPs continued apace.

#### *7.1.2 Desert and labour market-focused decommodification for the 50-plus (1995)*

The Belgian system presented a mixed picture in 1995 in that it also featured a desert-bias with regard to early exit, though in terms of early retirement, the schemes focused on labour force restructuring and industries in economic difficulty and were thus potentially available to both *Laurent* and *Jean*. In 1995, *Laurent* could have exited early via extended unemployment benefits and the exemption from job search; *Jean* on the other hand was barred from the former. However, with regard to early retirement, the individuals' contribution records had no impact upon eligibility which was permitted in instances of economic difficulty via two schemes or partially where a replacement would be recruited from the unemployment register. Thus in the case of Belgium, early retirement policies were utilised to reduce labour supply and this is reflected in the retention of these policies over the entire ten year period.

By 2000, ALMPs increased the onus on labour market participation. However, the use of early retirement as a means to restructure firms was retained, allowing *Laurent* and *Jean* to exit when their firm was in economic difficulty; indeed, the age thresholds for the *prépendion conventionnelle* for dismissals had been lowered to include *Laurent* and *Jean*. Within a further five years however, the job search exemption had been revoked for those who were newly unemployed and the age and contribution thresholds for the additional unemployment benefits had been raised, thus barring *Laurent*. Therefore in the case of Belgium, reforms and retrenchment shifted the decommodification approach from a mix of desert- and labour market-focus to a system that embodied the latter for individuals in their 50s.

France too presented a mixed picture with regard to *Laurent* and *Jean* in 1995. First, unemployment benefit durations in general were contingent on age and contributions and both individuals were required to engage in job search (the age

threshold for the exemption was 57). At the same time, there was a great deal of protection specifically for older workers (the *Delalande* scheme) in terms of redundancy (*Contrat d'initiative employ*) and subsidies social security exemptions in place (*Contrat emploi solidarité*). With regard to the early retirement routes available to *Laurent*, these were comparatively limited (when considered both in relation to other EU15 nations and the subsequent reforms France would take), with only two partial schemes and a route for private sector workers (accompanied by a large reduction in the final pension amount). However, with regard to *Jean*, these options are comparatively generous. In addition, in special cases, *Laurent* would have been able to retire under the ARPE scheme.

Over the following five years, France introduced a comprehensive array of ALMPs yet at the same time, expanded the early retirement routes available. However, this statement should be qualified: France expanded its early retirement schemes available to *some* industries and occupations. Thus as a result of dialogue with the social partners, early retirement routes were used to reduce labour supply and/or provide respite to those in particularly demanding labour. The new unemployment benefit extension and lowered age threshold for the job search exemption could not have been accessed by either *Laurent* or *Jean* due to the 40 year contribution requirement. However *Laurent* would have been eligible for the ASS unemployment benefit supplement. Again, France from 2000 to 2005 retained its commitment to protecting older individuals within the labour market with the introduction of new ALMPs. Thus *Laurent's* and *Jean's* access to the vast majority of early retirement schemes were delimited by their previous occupations, perhaps demonstrating that the decommodification of labour in this case is as much about those in the labour market as those exiting, i.e. creating vacancies for younger individuals.

In the Italian case, as with France, the focus on work-specific retirement policies was increased after 1996. In 1995 Italy embodied a mix of desert- and labour market-focused eligibility criteria. In line with the seniority pension, *Laurent* would have been able to have exited at 55. Both *Laurent* and *Jean* would have been able to exit early in line with three schemes for industries in economic difficulty. By 2000, there were also

new routes for women engaged in care and those in 'risky' employment. Within a further five years, the contribution requirement for the seniority pension had been raised, barring *Laurent* unless he or she had been employed in certain forms of work or from a young age. However, unlike many of the other EU15 nations, Italy had not made significant moves towards the introduction of ALMPs between 1996 and 2000, yet from this point on new policies were introduced. The early retirement schemes for certain industries and economic crises remained unchanged.

Spain too had a mix of desert- and labour market-foci with regard to their decommodification policies for those aged 55. *Laurent* and *Jean* in 1995 would have been able to leave the labour market if they had been made redundant from an industry in crisis or had engaged in strenuous work. In addition, when *Laurent* had exhausted their unemployment benefit entitlement, they would have received an additional extension due to their contributions. As with many EU15 nations, by 2000 Spain had introduced a range of ALMPs. By 2005, Spain had increased the compulsion for *Laurent* and *Jean* to engage in job search whilst however retaining the benefit extension. The early retirement routes for certain industries were sustained.

Like Austria, the Greek system in 1995 also featured lower age thresholds for women, yet the contribution-focus of early retirement increased after 1995. However, though in 1995, Greece adopted a labour market-approach to early retirement, the early exit route had a desert focus. As a result, in 1995, if *Laurent* or *Jean* were female, early retirement options were available to them based either on the nature of their previous employment (one route for arduous labour and one for the construction industry) or universally with a reduction to the pension amount, whilst *Laurent* could have received an additional unemployment benefit duration. In addition, for women, there were two routes in instances of care for either a disabled child or three children or more children. Both *Laurent* and *Jean* would not have been able to retire early if male due to the age thresholds. Five years on, a range of ALMPs had been introduced and the early retirement routes available to those aged 55 had been retrenched. If *Laurent* had been female, they would have been able to access three routes for arduous labour, which by this point

contained a contribution requirement, one scheme for long insurance durations and one for women; all routes were barred to *Jean* due to their contribution record. If *Laurent* was male, there was only exit in instances of arduous labour which would have resulted in a reduced pension amount. Therefore the introduction of ALMPs and the retrenchment of decommodifying policies occurred concurrently, as was the case for Austria, and also represented an increased shift towards a desert-focus.

Within a further five years, no further retrenchment was undertaken and a new route for those with 37 years of contributions was added. At the same time, the benefit extension for certain contribution records remained in place whilst new ALMPs improved *Laurent's* and *Jean's* re-employment prospects including lifelong learning measures and job creation. In Greece therefore the decommodification options were retrenched through the imposition of contribution requirements, thus reducing the number of applicants. Through this shift, Greece moved from a mixed approach where certain occupations were acknowledged to necessitate early retirement to one where contributions also earned individuals to the right to retire.

### *7.1.3 Rights and labour market-focused decommodification for the 50-plus (1995)*

The case of Portugal is interesting as the decommodification policy-focus for those individuals under 60 was altered entirely by reform over the ten year period. Initially in 1995 *Laurent* and *Jean* would have been able to exit early if they had been employed in certain industries or were unemployed, thus representing a mix of rights and labour market-focused decommodification. Over the following five years *Laurent* and *Jean* would have benefited from supply-side ALMPs. At the same time, a new route was added for those with a significant contribution record which *Laurent* would have been able to access, yet this featured penalties. There was also a contribution requirement for the unemployment pension, thus barring *Jean* who would at this point only have been able to retire early if they had been employed in arduous labour or certain occupations. By 2005, ALMPs had been introduced, including human capital development. The imposition of penalties and a contribution threshold to the early retirement scheme for the unemployment for the younger age cohorts shifted Portugal from a mix of labour market

and rights-based decommodification to a system focused instead on the former and desert, thus reducing the number of individuals eligible.

#### *7.1.4 Rights and desert-focused decommodification for the 50-plus (1995)*

Nations that do not conform to the division of desert- or labour market-focused eligibility criteria instead contained a rights-based element with regard to *Laurent* and *Jean*'s options for early exit and retirement in 1995 which was subsequently retrenched. In the Danish case, for *Laurent* and *Jean* in 1995 early exit and early retirement routes were available, not purely on the grounds of desert (earned via contributions) but also on a rights-basis thereby presenting a mixed approach. *Laurent* and *Jean* could have retired early in 1995 if their re-employment prospects were felt to be limited in the context of the labour market situation, in addition to receiving an extended benefit duration on the basis of age and an exemption from job search. *Laurent* could also have retired early if unemployed for a long duration due to their contribution record. Over the following five years, the opportunity for early exit was curtailed through the imposition of a job search requirement for those under 55 and a reduced benefit extension (which was conditional on the individual's ability to access an early pension) whilst ALMPs were introduced. In addition, individuals who would previously have been eligible for the early retirement scheme for diminished working capacity were instead placed on an employment project. Thus *Jean* would no longer have been able to access early exit. By 2005, the policies available to *Laurent* were far narrower than they had been in 1995; job search and the acceptance of offers was mandatory and the ALMPs emphasised the individual's right and duty to participate in the labour market.

Like Denmark, in the Netherlands the decommodification approach embodied a mix of desert and rights as the guiding principle. The unemployment benefit duration in 1995 was contingent upon the individuals' insurance duration and thus *Jean* would not have been able to exit early via this route. However, as early retirement was permitted in instances of reduced earning capacity universally, *Jean* would still have been able to be decommodified. Thus the routes out of the labour market in the Netherlands were limited in 1995, and remained largely unchanged throughout the period, unlike in the case of



Denmark. The Netherlands did however introduce a range of ALMPs relatively early, representing a move towards the recommodification of labour in older age.

The Finnish system initially represented a mix of desert and rights in their decommodification focus, and underwent significant retrenchment. In Finland, *Laurent* could have accessed the individual early pension if they had been employed in the private sector with a 6% reduction per year under the state pension age (*Yksilöllinen varhaiseläke*). However, there was a universal ‘unemployment tunnel’ (*Työttömyyseläkeputki*) which allowed *Laurent* and *Jean* to remain on unemployment benefits until they reached the lower age threshold for many of the early retirement routes. Thus age was the criteria for exit in this instance. Within five years however, the age threshold for this tunnel was raised, thus barring *Laurent* and *Jean* from effectively leaving the labour market at the age of 55. At the same time, ALMPs had been introduced, including lifelong learning and employment subsidies. The following five years saw the significant reform of the pension system in Finland. As a result, accrual rates increased with age, thus making both the age and contribution record of the individual integral to securing a good standard of living post-retirement. This represents a clear departure from a decommodification approach based on age in 1995 to a system that encouraged individuals to extend their working lives.

These changes are summarised in Table 7.1, which also captures the alterations in the decommodification foci as indicated by changes to eligibility criteria.

Table 7.1 EU15 nations' decommodification policy trajectories for the 50+

	Decom. approach for 50+				Early exit			Early retirement		
	'95	'00	'05		'95	'00	'05	'95	'00	'05
IRL	R	Unchanged	Unchanged	Laurent Jean	1 1	1 1	1 1	- -	- -	- -
UK	-	-	-	Laurent Jean	- -	- -	- -	- -	- -	- -
S	R	Retrenched (↑ AT)	Abolished	Laurent Jean	1 1	- -	- -	- -	- -	- -
LUX	-	-	-	Laurent Jean	- -	- -	- -	- -	- -	- -
D	D	D	R/D Retrenched (↓ UBE duration)	Laurent Jean	1 -	1 -	1 -	- -	- -	- -
A	D	D Retrenched <sup>41</sup> (routes closed, P)	D Retrenched (↑ AT)	Laurent Jean	♀ 2 ♂ 1 ♀ 1 ♂ 1	♀ 1 ♂ 1 - -	- -	♀ 5 ♂ 2 ♀ 1 ♂ 1	♀ 4 ♂ 1 - -	♀ 1 ♂ 1 - -
B	D/LM	D/LM	LM Retrenched (↑ CT) Expanded (↓ AT)	Laurent Jean	2 1	2 1	1 1	2 2	3 3	3 3
F	D/LM	D/LM Expanded (↓ AT JSE + C, new C UBE)	D/LM	Laurent Jean	1 -	1 -	2 -	2 1	3 2	3 2
I	D/LM	D/LM Expanded	LM Retrenched (↑ CT)	Laurent Jean	- -	- -	- -	4 3	6 5	5 5
ES	D/LM	D/LM	D/LM Retrenched (removed JSE)	Laurent Jean	2 1	2 1	1 -	2 2	2 2	2 2
EL	D/LM	D/LM Retrenched (+CT, P)	Unchanged	Laurent Jean	1 -	1 -	1 -	♀ 5 ♂ - ♀ 5 ♂ -	♀ 5 ♂ 1 - -	♀ 5 ♂ 1 - -

<sup>41</sup> The job search exemption and early pension for those with a reduced working capacity had been abolished whilst penalties were added to the remaining early retirement routes.

	Decom. approach for 50+				Early exit			Early retirement		
	'95	'00	'05		'95	'00	'05	'95	'00	'05
<b>P</b>	<b>R/LM</b>	<b>D/LM</b> <i>Retrenched</i> (+CT, P) <i>Expanded</i> (new C route)	<i>Unchanged</i>	<b>Laurent Jean</b>	1	1	1	1	2	2
					1	-	-	1	1	1
<b>DK</b>	<b>R/D</b>	<b>R/D</b> <i>Retrenched</i> (↓ UBE duration+ JSE abolished)	<b>D</b>	<b>Laurent Jean</b>	2	1	1	2	-	-
					2	1	1	1	-	-
<b>NL</b>	<b>R/D</b>	<i>Unchanged</i>	<i>Unchanged</i>	<b>Laurent Jean</b>	1	1	1	1	1	1
					-	-	-	1	1	1
<b>FIN</b>	<b>R/D</b>	<b>- (↑ AT)</b>	<b>-</b>	<b>Laurent Jean</b>	1	-	-	1	-	-
					1	-	-	-	-	-

**Notes:**

The figures indicate the number of early exit/ retirement options available to the model biographies. Table excludes partial retirement options.

↓ indicates the retrenchment of retained routes (i.e. raised contribution requirements, age thresholds or reductions to pension amounts).

This table only refers to the decommodification approach of EU15 nations' vis-à-vis the 50-plus; it therefore differs from Table 7.2 which addresses nations' policies for early exit and retirement at the macro level.

**KEY:**

LM = Labour Market- Focused Decommodification

R = Rights-Focused Decommodification

D = Desert-Focused Decommodification

- = Not applicable

AT= Age thresholds for early exit/ retirement

CT=Contribution thresholds for early exit/ retirement

UBE= Unemployment benefit extension

P= Penalties for early exit/ retirement

JSE = Job search exemption

## **7.2 The 60-Plus Model Biographies**

The model biographies for the 60-plus are as follows:

- *Sasha*: Aged 63 years with 35 years of employment contributions;
- *Jude*: Aged 63 with a disjointed work history.

As with *Laurent* and *Jean*, the policies available to *Sasha* and *Jude* in EU15 nations can also be categorised according to the focus their decommodification took in terms of eligibility. In addition, the reform trajectories followed certain paths in accordance with these classifications towards a more recommodifying welfare approach. As was the case for the 50-plus individuals, many of these nations fell between more than one category in 1995 with respect to the 60-plus individuals and over the following ten years, and many moved into a different type through reform or retrenchment. The nations were categorised in 1995 thus: those nations with a desert-focus, with a labour-market focus and with a rights approach, in addition to those that combined desert and rights elements and those with a desert and a labour-market focus.

### *7.2.1 Rights- focused decommodification for the 60-plus (1995)*

Certain nations provided decommodification on a rights-basis to all individuals over the age of 60 in 1995. These nations ensured that the ability to retire early was evenly distributed throughout the population through the provision of flat-rate citizenship-based pension. However, if the pension amount was contingent on individual contributions, a rights-based system would not have produced equitable pension outcomes for individuals in that some individuals' choices would have been constrained by their previous labour market experience; i.e. those with a disjointed work history would also have had a low level of contribution years, producing a lower pension income. The combination of a reduced pension amount due to contribution years and penalties for early exit would have made early retirement financially untenable. Though these individuals *could* exit early on a rights-basis, the results in terms of pension income would have been extremely inequitable and perhaps therefore financially prohibitive. However, to guarantee that decommodification represented a positive choice for all

citizens, nations with a rights-based approach largely provided flat-rate pensions, regardless of contributions. Thus in guaranteeing a flat-rate pension, the cost of early exit in terms of penalties would be more evenly imposed; otherwise individuals would incur a penalty *in addition to* their comparatively low pension that resulted from their work history interrupted by care, illness or lack of opportunity.

The Netherlands had a rights-focus for their decommodification approach in 1995. In addition, as the state pension system provided a flat-rate benefit based on citizenship as opposed to contributions, individual choice regarding exit would not have been as constrained at a practical level by previous work history; all individuals would have received the same state basic pension, regardless of their relationship with the labour market. *Sasha* and *Jude* would have been able to remain on unemployment benefits, exempt from the job search requirement until the state pension age. In addition, had their working capacity been reduced, they could have exited early. The latter remained unchanged over the following ten years whilst at the same time, the Netherlands introduced a comprehensive range of ALMPs. However, by 2005, *Sasha* and *Jude* would have been required to engage in job search.

In 1995, Sweden allowed both *Sasha* and *Jude* to receive an extended duration of unemployment benefits due to their age, though this had been disbanded by 2005. Early retirement was available to both individuals with a reduction of 12%, as well as a partial pension. In the case of Sweden, the pension system meant that individuals could receive a citizenship-based pension at a flat rate regardless of contributions, thus producing more equitable outcomes for *Sasha* and *Jude*. However, there was a supplementary employment-based pension, which may have provided *Sasha* with less financial constraints when taking the decision to exit early. Thus individuals were able to exit at their discretion, and *Jude's* basic pension amount would have been the same as *Sasha's*, yet the supplementary pension would have increased the latter's pension income. The pension system underwent changes by 2005; however the emphasis on individual choice with regard to exit was retained.

With regard to those nations with a rights-focused decommodification approach, Ireland retained an egalitarian focus and *Sasha* and *Jude* were able in 1995 to receive unemployment benefits and be exempt from the job search requirement due to their age. Both individuals were able to retire early after 15 months of unemployment. These arrangements remained unchanged for the entire period. Ireland did however implement new ALMPs over the ten years. The difference between Sweden and Ireland however was that in the case of the former, *Laurent* and *Jean* would not have been able to retire early due to their age, whereas in Ireland age was not relevant once the individual was older than 55. Indeed, though in 1995 Sweden had in place an extended benefit duration for those over 55, by 2000, the age threshold had been raised and it had been abolished entirely by 2005. However, the Irish system had a contribution threshold, which if not fulfilled resulted in a reduced pension, yet the PRETA early retirement scheme did not impose additional pension reductions upon the individual. *Jude* may however have been less likely to exit early in an attempt to increase their pension amount via their contribution years.

### 7.2.2 Rights and desert-focused decommodification for the 60-plus (1995)

The Finnish system in 1995 adopted a position between a rights- and desert-focused approach to decommodification with regard to those aged 55. However, in this year, Finland had a broad range of early exit and retirement routes available to *Sasha* and *Jude* including the ‘unemployment tunnel’. Following receipt of this benefit, *Sasha* would have been able to have accessed the unemployment pension due to his or her contribution record. Both *Sasha* and *Jude* would have been able to exit early if they were farmers, partially and with a reduction of 12%. As a result, *Sasha* and *Jude* could both access early retirement routes, though the latter had less choice. By 2000, supply- and demand-side ALMPs had been introduced yet at the same time, the penalties for exit had been reduced to 9.6% or 4% for instances of early retirement due to unemployment. In terms of accessibility of these pensions, *Sasha* and *Jude* could have exited via the same routes as in 1995. However, by 2005, the options had been curtailed with the closure of the route for long contribution records, thus removing one of *Sasha*’s options. The state pension age had been modified to be flexible from the age of 63. The accrual rate would have

incentivised longer working lives. *Jude* therefore would perhaps have been less unlikely to opt to exit at 63 due to their already reduced contribution record. Thus the options for decommodification became egalitarian in principle, though their results would have been inequitable. They could have still retired early if a farmer or partially.

With regard to Germany in 1995, the decommodification focus for those over 60 was on contribution records in terms of the early retirement routes, yet for the early exit routes in the form of the job search exemption, access was contingent on age. As a result, *Sasha* would also have been able to exit early at 63 due to their contribution record or would have been able to exit at 60 years of age if female, disabled or unemployed; these options were not available to *Jude* because of their disjointed work history. *Jude* would have been exempt from job search whilst receiving unemployment assistance for an unlimited period if they had exhausted their right to unemployment insurance (this rule was the same for all age groups). At the same time, there were subsidies available to employers to encourage the recruitment of older individuals.

By 2000, retrenchment had taken the form of penalties applied to the early retirement routes. As a result, though *Sasha* had more choice regarding their decommodification, they would have incurred a reduction to their pension of 7.2% if they accessed the route for long insurance records and 18% if female or unemployed, and therefore may have preferred to remain on unemployment benefits. The imposition of penalties to all early retirement routes represents the retrenchment of this policy area whilst at the same time, ALMPs were expanded. Though the age threshold had been raised for the job search exemption, it had only been raised to 58.5 years of age and therefore still applied to *Jude*. However, there was still an extended unemployment insurance duration available to *Sasha* due to their age and contribution record, whilst *Jean* could only have remained on unemployment assistance.

There had been significant reform of the unemployment benefit system by 2005 but ultimately *Sasha* and *Jude* could still have remained on some form of unemployment benefit until they reached the state pension age. ALMPs which included subsidies to

encourage re-entry into the labour market were introduced by 2005. At the same time, however, the early retirement routes available to *Sasha* and *Jude* were unchanged due to the year of their birth (for younger cohorts, the options had been retrenched), except that the age threshold for the unemployment pension available to the former had been raised. Therefore a desert-based system for early retirement was retained for those over 60.

Denmark's policies for work and retirement in 1995 could be classified as exemplifying a mix of rights- and desert-focused decommodification policies. As with several EU15 nations in 1995, many options for early exit and retirement were available. However, once again, the amount of options available to *Sasha* and *Jude* varied, with the latter having fewer opportunities for exit. In terms of early retirement, both *Sasha* and *Jude* could have exited early if their working capacity was reduced for health or social reasons; *Sasha* however would also have been able to retire early via two additional schemes and also access the partial pension route due to their contribution record.

Over the following five years, as with other EU15 nations, ALMPs were introduced but Denmark also moved towards a more coercive model, stating that individuals had a right and duty to participate in an activation programme and local authorities were obliged to first offer activation before exit. In addition, *Sasha's* contribution record meant they would have been able to access subsidised employment if unemployed and if they exited from this scheme, they would have received a benefit until they reached the state pension age. Both *Sasha* and *Jude*, if they worked from the age of 62 to 65, would have received a bonus of 8,600 DKR per quarter. To accompany these changes, there had been some moves towards the retrenchment of early retirement with a reduction of 10% for those exiting between the ages of 62 and 63. The remaining routes available to *Sasha* in 1995 still applied in 2000. In the case of *Jude*, the only instance where they would have been able to be exit (in an instance of reduced working capacity) had been retrenched in that they would have instead been placed in subsidised employment.



Denmark's recommodifying reform of unemployment benefits continued over the period of 2000 to 2005 with individuals obliged to engage in activation measures after six months of joblessness. Individuals could also access training measures to improve their labour market prospects. The early retirement routes for *Sasha* were however unchanged. Thus in the case of Denmark, desert was a key determinant for the options of individuals over the age of 60 for decommodification. As a result, *Sasha* had more possibilities for decommodification than *Jude* and these proved more resilient to retrenchment. The more universalistic measure regarding a reduced working capacity was retrenched and at the same time the onus upon work was increased through the introduction of ALMPs.

### 7.2.3 Desert- focused decommodification for the 60-plus (1995)

In terms of the nations where decommodification was bestowed as a matter of desert in 1995, the reform trajectories followed were largely to retain the ability for those with certain levels of contributions to exit early from the labour market, though the thresholds were raised. In these nations, any other early exit or retirement policies were more likely to be abolished whilst the contribution-focused schemes were retrenched through the imposition of penalties or increased age or contribution thresholds. Thus desert-focused routes were resilient to complete closure and the decision whether to exit early and reduce their pension amount was left at the discretion of deserving individuals.

In the case of Austria, desert was a key determining factor in the bestowal of decommodification. In 1995 if *Sasha* and *Jude* had been female, they would have exited at 60 years of age in line with the age threshold of the unharmonised state pension; had they remained in employment until the age of 63, their pension amount would have been increased by 6%. This may have been an attractive prospect for *Jude* as a means to increase their contribution-rated state pension. If male, *Sasha* would have been able to access a variety of early exit and retirement routes, including a supplement to the unemployment benefit with an exemption from the job search requirement, in instances of long-term unemployment, due to their long contribution record, if their working capacity was reduced by 50%, if employed in arduous, mining or night work, as well as the option of a partial pension. With regard to *Jude*, if male the early exit and retirement routes

available to *Sasha* would have been barred to them due to their contribution record. The only option for early retirement would have been in the case of a reduced working capacity that resulted from an accident at work (in which instance, the contribution requirement was negated), as well as the exemption from job search by virtue of their age.

Within five years, the decommodification options available to *Sasha* and *Jude* were reduced through the removal of the job search exemption and the early pension in instances of disability. The contribution requirement for those with long insurance durations had been increased, thus preventing *Sasha* from accessing this route. All the other routes available to *Sasha* by 2000 would have incurred a penalty of 3% per year prior to the state pension age. Thus if *Sasha* was male and exited via the aforementioned routes, they would have reduced their pension by 6%. No routes were available to *Jude*. By 2000, Austria had introduced a comprehensive range of ALMPs, including both demand- and supply-side measures. Not only could *Sasha* and *Jude* have accessed training and temporary public sector jobs, employers were also encouraged to retain and employ older individuals. However, *Sasha* could have accessed an additional ALMP in terms of a place on an employment project due to their ability to access early retirement routes. In addition, both *Sasha* and *Jude* if female and still employed at the age of 63 would have increased their final pension amount by 12%.

By 2005, the options for exit and early retirement had been curtailed. *Sasha* would have been obliged to accept any jobs offers presented to them and the route for long-term unemployment had been closed but *Sasha* could access a transitional benefit until 2006. *Sasha* would not have been able to access many of the early retirement routes available in 2000 due to their retrenchment; the only route available was in instances of certain cases of arduous labour and the route for long insurance durations was being phased out. To accompany these moves towards the retrenchment of exit routes, Austria expanded the labour market opportunities for *Sasha* and *Jude*. Due to their age, these individuals received additional support in the form of exemption from unemployment contributions for employers. However, in terms of the deferral of state pension receipt, if *Sasha* and

*Jude* were female, they would have increased their pension by the reduced amount of 8.4%.

#### *7.2.4 Desert and labour market- focused decommodification for the 60-plus (1995)*

In 1995, as with Austria, in Belgium the unharmonised state pension ages for men and women meant that if *Sasha* and *Jude* were female, they could have exited at 60 years of age. However, as neither *Sasha* nor *Jude* had made 40 years of contributions, they would not have received the full pension amount. In addition, the flexible pension age would have allowed both individuals to exit at 63 if male, losing 1/45<sup>th</sup> per missing year, which may have been less attractive to *Jude* due to their already reduced pension resulting from their interrupted work record. In terms of the options for decommodification, the Belgian system in 1995 combined a labour market- and desert-focus. A special supplement to the unemployment benefits was available in 1995 to *Jude* due to his or her contribution record though both individuals would have been exempt from job search. *Sasha* and *Jude* could have accessed the same early retirement schemes for industries in economic difficulty or in the process of reorganisation.

By 2000, the early exit route in the form of unemployment benefits was unchanged yet moves had been made towards recommodifying welfare arrangements through the introduction of ALMPs. The flexible state pension ages had been closed off and *Sasha* would have been able to access a pension for those with a long insurance record but would have incurred a penalty of 4.5% per year. Within five more years, the state pension age had been raised to 64 years of age for women. Further retrenchment of the early exit route in the form of unemployment benefits had taken place and thus *Sasha* could no longer access this route due to the increased contribution requirement. However, both *Sasha* and *Jude* were still exempt from the job search requirement of benefit receipt and the early retirement routes available in 2000 still applied. The period of 2000-2005 saw less ALMPs introduced than in the previous five years. Therefore the desert-focused routes underwent the greatest amount of retrenchment, whilst the labour-market focused schemes were unreformed in this period. These schemes were in part funded by employers, which may partially explain why they were not retrenched.

In 1995, due to Italy's dual system of state pension ages, *Sasha* would have been able to exit at 62 years of age if male and 57 years of age if female; however, as they had not completed the requisite 40 years of contributions to receive a full pension, they were permitted to continue to work until the age of 65 to increase the final amount. There was also the seniority pension that permitted early exit with 35 years of contributions in addition to the three routes for redundancy from industries in economic difficulty. *Jude* however, due to their contribution record, would have been able to exit between the ages of 57 and 65, with the accrual rate strongly encouraging prolonged labour market participation. Thus what would appear a rights-based system, when combined with Italy's contribution-rated pension, is actually financially prohibitive for those with disjointed work histories. *Jude* would however been able to exit early under the three aforementioned schemes for industries in economic difficulty.

By 2000, the state pension ages had been raised and as a result, if male, *Jude* would have only be able to access their pension at 65 years of age; if female, they would have been able to exit at 60 years of age. However, to encourage longer working lives, if *Sasha* remained in the labour market, they would have been exempt from the social security payments (*Jude* had not made sufficient contributions). If male, *Sasha* was able to retire early from industries in economic difficulty under the applicable three schemes, if they had engaged in care or if employed in 'risky employment' under the seniority pension, thus placing Italy within the labour market-focused category of decommodification policies. However the route for those with a contribution requirement was still available. Similarly, *Jude* could have accessed the same routes as in 1995, in addition to the flexible option of exit 57 (their contribution record meant they would have been subject to the flexible pension rules of the *Dini* reform). Over the following five years the entry requirement for the seniority pension was raised, moving Italy's decommodification focus for the 60-plus towards a labour market bias.

Spain, with regard to the policy treatment of *Sasha* and *Jude*, represented a mixed decommodification approach at the beginning of the period of enquiry. In 1995, *Sasha*

and *Jude* could have exited early if employed in the coal mining industry or if the firm was being restructured; thus the focus of decommodification was largely on the labour market. However, there was an additional route at 60 that could have been accessed by *Sasha* as they had contributed 15 years to the insurance system prior to 1967 with a reduction of 16% to their final pension amount (for *Jude* in addition to their missing contribution years). There was also the option of remaining on unemployment benefits until the state pension age was reached for *Sasha* due to their contribution record. As a result, Spain represents a mix of desert- and labour market-focused decommodification. These routes were unchanged over the following five years whilst ALMPs were introduced including a scheme only available to those over the age of 60 to encourage employers to recruit them through the exemption from social security contributions. By 2005, the reduction for *Sasha* if they exited at 60 had been reduced to 7% per year in instances of redundancy whilst there was also a new scheme requiring 30 years of contributions and that they be unemployed for six months ‘outside of their control’. The ALMPs introduced also included demand-side measures in the form of social security exemptions for employers recruiting older individuals. Thus Spain combined desert- and labour-market foci whilst at the same time introducing recommodifying ALMPs.

Greece too embodied a mix of desert- and labour market-focused decommodification in 1995. If *Sasha* and *Jude* were female, they would have exited at 60 years of age in line with the state pension age; if male, retirement routes were available to both individuals in instances of arduous work or employment in the construction industry. *Sasha* could also utilise a route for those with significant contribution records without a reduction to their pension amount whereas *Jude* could not have accessed this route and so would have reduced his or her pension amount by 12%. There was also an extra unemployment benefit duration for *Sasha* due to their contribution record. Greece had introduced a range of ALMPs by 2000, including a job creation scheme as well as supply-side measures such as training and education. The early retirement options were retrenched and expanded by this year to all include contribution requirements (and in many cases penalties). As a result, *Jude* was barred entirely due to their contribution record, whilst *Sasha* could have retired early under three schemes for arduous labour with

insurance requirements, and two schemes with contribution thresholds. Within a further five years, *Sasha's* early retirement options remained the same despite the addition of a new contribution-focused route (the threshold was too high at 37 years). Thus by 2005 the routes focused on both desert through a contribution requirement and the labour-market in that certain forms of labour were targeted.

#### *7.2.5 Labour market- focused decommodification for the 60-plus (1995)*

In the case of Luxembourg, decommodification for *Sasha* and *Jude* had a labour market-focus. Both model biographies in 1995 would have been able to retire early if they had been made redundant, worked nights, partially or as part of a scheme to allow employers to restructure their firms. Thus with regard to *Sasha* and *Jude* decommodification was bestowed on a labour-market basis. However, additional desert-based routes were available, but the contribution requirements were too high for both individuals. These schemes were not reformed or retrenched over the ten year period. At the same time, new ALMPs were introduced. Luxembourg retained its labour-market focus throughout the ten year period with regard to *Sasha* and *Jude*.

#### *7.2.6 Rights and labour market- focused decommodification for the 60-plus (1995)*

The Portuguese policies for decommodification in 1995 focused on the labour market and rights. The state pension ages in Portugal in 1995 meant that if *Sasha* and *Jude* were female, they would have exited at 63 years of age. If *Sasha* and *Jude* were unemployed and male, they could have exited early, as well as retirement options for certain occupations. Over the following five years, supply-side ALMPs were introduced and the state pension ages had been harmonised and thus if *Sasha* and *Jude* wanted to exit early, they would have had to use the early exit and retirement routes. With regard to *Sasha*, options were available in instances of arduous labour, if unemployed or additionally as a result of their contribution record; *Jude* could only exit if they were employed in arduous labour or receive unemployment assistance for 30 months (unemployment route featured a contribution requirement, thereby barring *Jude*). Thus the early exit and retirement routes in Portugal were both expanded and retrenched to focus on more on desert from 1996-2000 whilst at the same time supply-side ALMPs

were introduced. Over the following five years, the early retirement and exit routes were unchanged whilst the commitment to ALMPs was retained; therefore exit was curtailed after labour market opportunities were increased. The decommodification approach moved towards a mix of labour market- and desert focus.

For certain nations, the classification of decommodification policies with regard to *Sasha* and *Jude* is more problematic. The UK's lack of early retirement policies make it hard to place in the categorization. Throughout the ten year period, the state pension ages remained unharmonised and therefore if *Sasha* and *Jude* were female, they would have been able to exit at 60 years of age; if they were still in employment at the age of 63, their pension would have been increased by 22.5% (7.5% per year). If *Sasha* and *Jude* were male, they would have been able to access unemployment benefits indefinitely if their savings were less than £8,000 (a higher threshold than for younger individuals). From 1996 onwards, the UK introduced ALMPs, though in the period of 1996-2000 these offered *in-work* benefits in that the individual would only receive a wage subsidy once they had left unemployment benefits, and indeed, the employment had to be low-waged. France too is distinct among EU15 nations with regards to its policy treatment of *Sasha* and *Jude* in that the state pension age of 60 meant that they did not encounter the policy changes as experienced by *Laurent* and *Jean*. However, as *Sasha* and *Jude* had not made the requisite 150 insurance quarters (37.5 years), if they continued to work they would have increased their pension amount by 2.5% per quarter.

The following section combines the data from the four model biographies and demonstrates that contribution records are not the only division between older individuals; age too dictates the degree of choice individuals have with regard to labour market participation and exit.

Table 7.2 EU15 nations' decommodification policy trajectories for the 60+

	Decom. approach for 60+				Early exit			Early retirement		
	'95	'00	'05		'95	'00	'05	'95	'00	'05
NL	R	Unchanged	R	Sasha	2	2	1	1	1	1
			Retrenched (JSE abolished)	Jude	2	2	1	1	1	1
S	R	R	Abolished	Sasha	1	1	-	1	1	1
				Jude	1	1	-	1	1	1
IRL	R	Unchanged	Unchanged	Sasha	1	1	1	-	-	-
				Jude	1	1	1	-	-	-
FIN	R/D	R/D	R/D	Sasha	1	1	1	3	3	2
				Jude	1	1	1	2	2	1
D	R/D	R/D	R/D	Sasha	2	2	2	♀ 3 ♂ 2	♀ 3 ♂ 2	♀ 2 ♂ 1
				Jude	1	1	1	-	-	-
DK	R/D	D	Unchanged	Sasha	2	1	1	3	1	1
				Jude	2	1	1	1	-	-
A	D	D	D <sup>43</sup>	Sasha	♀ - ♂ 2	♀ - ♂ 1	-	♀ - ♂ 5	♀ - ♂ 4	♀ - ♂ 2
				Jude	♀ - ♂ 1	-	-	♀ - ♂ 1	-	-
B	D/LM	D/LM	LM	Sasha	♀ - ♂ 2	♀ - ♂ 2	1	♀ - ♂ 2	♀ - ♂ 3	2 2
				Jude	♀ - ♂ 1	♀ - ♂ 1	-	♀ - ♂ 2	♀ - ♂ 2	
I	D/LM	D/LM	LM	Sasha	-	-	-	-*	♀ - ♂ 6	♀ - ♂ 5
				Jude	-	-	-	3	5	5

<sup>42</sup> However the pension age had been modified to be flexible from the age of 63.

<sup>43</sup> The early retirement scheme for long term unemployed with a contribution requirement had been abolished.



	Decom. approach for 60+				Early exit			Early retirement		
	'95	'00	'05		'95	'00	'05	'95	'00	'05
ES	D/LM	Unchanged	D/LM <i>Retrenched</i> (JSE abolished) <i>Expanded</i> (+C route)	Sasha	2	2	1	3	3	4
				Jude	1	1	-	2	2	2
EL	D/LM	D/LM <i>Retrenched</i> (+P and CT)	Unchanged	Sasha	♀ - ♂ 1	♀ - ♂ 1	♀ - ♂ 1	♀ - ♂ 3	♀ - ♂ 4	♀ - ♂ 4
				Jude	-	-	-	♀ - ♂ 3	-	-
LUX	LM	Unchanged	Unchanged	Sasha	-	-	-	4	4	4
				Jude	-	-	-	4	4	4
P	R/LM	D/LM <i>Retrenched</i> (+C and P) <i>Expanded</i> (+C route)	Unchanged	Sasha	-	-	-	♀ - ♂ 2	3	3
				Jude	-	-	-	♀ - ♂ 2	1	1
UK	-	-	-	Sasha	-	-	-	-	-	-
				Jude	-	-	-	-	-	-
F	-	-	-	Sasha	-	-	-	-	-	-
				Jude	-	-	-	-	-	-

**Notes:**

The figures indicate the number of early exit/ retirement options available to the model biographies. Table excludes partial retirement options.

↓ indicates the retrenchment of retained routes (i.e. raised contribution requirements, age thresholds or reductions to pension amounts).

This table only refers to the decommodification approach of EU15 nations' vis-à-vis the 60-plus; it therefore differs from Table 7.1 which addresses nations' policies for early exit and retirement at the macro level.

\* The state pension ages in this year for those who had contributed for 18 years prior to 1995 were 62 for men and 57 for women.

**KEY:**

LM = Labour Market- Focused Decommodification

R = Rights-Focused Decommodification

D = Desert-Focused Decommodification

- = Not applicable

AT= Age thresholds for early exit/ retirement

CT=Contribution thresholds for early exit/ retirement

UBE= Unemployment benefit extension

P= Penalties for early exit/ retirement

JSE = Job search exemption

ER = Early retirement

### **7.3 The 50-Plus and 60-Plus Compared**

In the section examining the data for *Laurent* and *Jean*, a number of nations were not explored in depth as their policies for decommodification did not directly focus on this age cohort from the outset, or the policy picture remained static over the ten year period. It was noted however, that these nations did provide ALMPs that were applicable to *Laurent* and *Jean* and perhaps in this way, there was not so much a shift from decommodifying welfare arrangements, but an increased onus on recommodification. This section combines the data from all the model biographies to address nations' overall decommodification approach with respect to the micro level.

Age therefore was an important division between individuals within the older age cohort in terms of their ability to be decommodified and recommodified. In addition, it is apparent that gender too was important in that in some nations age thresholds were not harmonised, allowing women to exit earlier than their male counterparts. However, in other nations, it becomes clear that though age and gender provide eligibility parameters, access to decommodification was contingent upon other factors such as contribution records or the labour market situation. This section combines the data on all model biographies to explore the impact of age (and in turn gender due to the differential age thresholds in some nations) on the policy options available for decommodification and recommodification.

In the case of Ireland, a rights-focus was adopted and the low age thresholds for decommodification policies meant all individuals would have been able to exit early. Those over the age of 55 were able to access the early retirement scheme providing they satisfied a means test and after 15 months of unemployment benefit receipt, and would have been exempt from the job search requirement of unemployment benefit receipt. These policies remained unchanged over the ten year period, yet a range of supply-and demand-focused ALMPs were introduced. The introduction of recommodifying policies in this case was not accompanied by a retrenchment of the option for decommodification.

In the case of Sweden, though the model of early retirement adopted was rights-based, these rights did not extend to *Laurent* and *Jean* due to their age. However, they were able to be decommodified through the unemployment benefit system which provided extended benefit durations for older individuals in 1995, though this route was abolished within ten years. In 1995 *Sasha* and *Jude* in Sweden were able to decide when to exit from the labour market though these choices may have been constrained by financial considerations due to the reductions (12%) to their final pension amount that would be applied. Indeed, *Jude's* disjointed work history may have prevented him or her from accruing supplementary pension credits, presenting perhaps an additional pecuniary concern. However, Sweden did have in place a citizenship-based flat-rate pension, which was comparatively generous. Over the subsequent five years, age was also a barrier to *Laurent* and *Jean's* access to some of the new ALMPs introduced (including those related to job creation through placement). The following five years saw the modification of the flexible early pension, yet the ethos remained the same: individuals had autonomy over their exit in the policy sense. The pension system had also been modified, but there was still a basic state pension available to all citizens, regardless of contributions.

The other EU15 nations presented a mixed decommodification approach in 1995 when the data from the early exit and early retirement policies are addressed separately. In Germany, the 50-plus model biographies would only have been able to access the early exit routes due to the age thresholds for the early retirement schemes. Over the entire period for *Laurent* and *Jean* the unemployment benefit duration was contingent on age and contribution record, thus allowing *Laurent* to exit early. In addition, there was the option of subsidised employment from the age of 50. The data from *Sasha* and *Jude* in Germany reveals that when age is no longer a factor, the ability to be decommodified was bestowed on a mix of rights and desert-basis in 1995 as the latter's early retirement options also included a route specifically for women, a reduced working capacity and long insurance duration due to their work history. *Jude* however would have been exempt from the job search requirement of unemployment benefit receipt for the entire ten year period. Thus though there was a rights-element, desert-based routes were more prevalent. However, the policy picture had changed dramatically within five years for *Sasha* in

terms of the desert-focused element. Retrenchment of the early retirement options came in the form of penalties which resulted in a reduced pension amount by between 18-23.4%, depending upon the route accessed by *Sasha*. The age thresholds had also been raised to 63 years. Thus desert was the key principle of decommodification, and by 2000 this came at the price of a reduced pension. At the same time, ALMPs were expanded.

Further retrenchment of decommodifying policies was undertaken by 2005, though they did not apply to *Sasha* and *Jude* due to the year of their birth. A new system had been introduced for younger birth cohorts which provided limited decommodification potential. Thus it would seem that the retrenchment of the desert-focused decommodification options had gone as far as was politically viable in terms of increases to the age thresholds and the introduction of penalties over the period of 1996 to 2000; ultimately these ‘deserved’ schemes could not be closed entirely to those who had already contributed significantly but they could be barred to new potential claimants, thereby creating a de facto abolition date. In addition, the labour market was made a more attractive and viable option through the creation of ALMPs, though *Sasha* and *Jude* would still have been able to exit via unemployment benefits until they reached the state pension age. The *Hartz* reforms had however made these less generous, with a maximum period of Unemployment Insurance (*Arbeitslosenversicherung*) limited to 18 months after which the Basic Resources for Jobseekers (*Grundsicherung für Arbeitsuchende*) would have been the only option.

When the data from the 50-plus and 60-plus model biographies are combined in the case of the Netherlands, the decommodification approach represents a mixed approach of rights and desert. Thus in 1995, had their working capacity been reduced, all the model biographies could have retired early with no additional requirements. However, in terms of the unemployment benefit durations, these were dependent on age and contributions, with an additional period for those over the age of 57.5. *Laurent* would therefore have been able to access an extended duration due to their contributions whilst *Jean* would not; both were too young for the additional amount from those over the age of 57.5. For *Sasha* and *Jude*, their age meant they could have received unemployment

benefits until the state pension age and would not have been required to engage in job search. As the routes were limited, little retrenchment was undertaken except that by 2005 all individuals would have been required to engage in job search if unemployed. At the same time, ALMPs were introduced to increase older individuals' labour market prospects.

Finland too demonstrated a mix of desert- and rights-foci when the data from the four model biographies was combined. In 1995 *Laurent* and *Jean* could have exited early via the 'unemployment tunnel' for which the entry requirement was age, and the early retirement scheme for those employed in the public section. However, with regard to the model biographies over the age of 60, Finland exemplified a mix of rights- and desert-focused decommodification approach in that *Sasha* had more choice than *Jude* due to their contribution record, but the latter was also able to access some early retirement schemes. In accessing some of these routes, the individuals would have received a reduced pension. As age was the criteria of entry, by 2000 the retrenchment had taken the form of the raising of the age threshold of the unemployment tunnel, thus preventing *Laurent* and *Jean* from being decommodified. In addition, the age threshold for the individual early pension had been raised to 60. At the same time, ALMPs had been introduced. However, with regard to the decommodification options available to *Sasha* and *Jude* that contained penalties, the amount deducted was reduced. By 2005, the routes available had been curtailed, including the long-insurance scheme accessible to *Sasha* and the creation of a flexible state pension age with accrual rates designed to incentivise longer working lives. As a result, *Jean* and *Jude* would have been unlikely to opt to exit early due to the reduced pension income it would produce.

Denmark's mix of desert- and rights-focused decommodification and the comparatively low age thresholds meant that in 1995, the options for exit available to *Laurent* and *Jean* were fairly extensive. Both would have been able to retire early if their labour market prospects were deemed to be weak or receive unemployment benefits for an extended duration with no accompanying job search requirement. There was also an additional route available to *Laurent* due to their contribution record. This mix is also

reflected in the data for *Sasha* and *Jude* whereby the former had more decommodification options due to their contributions though, including the VERP scheme, though the latter was not completely unable to exit.

There was a significant shift in Denmark's policy approach over the following five years, as exemplified by their increased focus on participation in the labour market. Local Authorities were duty-bound to provide activation programmes before offering opportunities for exit and the individual was obliged to engage in them. In addition, the benefit extension was reduced unless the individual was able to access an early pension at 60. With the stipulation that those who would have been able to access the early social pension/anticipatory pension (*førtidspension*) should instead be enrolled on a job placement, *Jean* would therefore have been barred from the unemployment benefit extension as well as this early retirement route. *Laurent* too would have had their opportunities for decommodification curtailed through the closure of the transitional allowance (*overgangsydelse*) and thus their only option for exit would have been to remain on unemployment benefit until the age of 60 when access to the voluntary early retirement pension (*efterløn*) would have been possible. The options available to *Sasha* and *Jude* were also being curtailed with the closure of the rights-based schemes, thus making contributions key to decommodification. However, at the same time, *Sasha's* contributions also provided them with recommodification opportunities under the flexjob scheme. Aside from this, *Sasha* was still able to exit via the same routes in 1995, but for *Jude* decommodification was no longer possible. Incentives for labour market participation had also been introduced, including a bonus of 8,600 DKR per quarter between the ages of 62 and 65. Also, the state pension age had been lowered in line with many EU15 nations.

Further retrenchment had been undertaken by 2005, making decommodification more dependent upon age, thus barring *Laurent* and *Jean* by requiring them to engage in job search. The ALMPs also focused on supply-side measures such as training and education. The decommodification opportunities remained unchanged for *Sasha* and *Jude*, thus embodying an entirely desert-based system by this point. The early pension

available to *Sasha* in 2005 was however reduced yet at the same time, incentives for the deferral of state pension receipt had also been decreased.

In the case of Austria, desert was the key principle for decommodification and in addition, gender was salient with regard to age thresholds; thus if *Laurent* had been a woman, decommodification options were available whilst irrespective of gender, *Jean*'s contribution record prevented access to many routes. As aforementioned, this presents a paradox as women are more likely to have incomplete work histories and the lower age threshold in effect gave them less time to accrue sufficient contribution years. Nonetheless, this desert-focus meant that *Laurent* was able to access a great many early exit and early retirement routes whilst *Jean* would only have been able to retire early if disabled as a result of a work accident and would have been exempt from the job search requirement. However, if male, neither *Laurent* nor *Jean* could retire early unless they had been a miner but again this contained a contribution requirement. They would however have been exempt from the job search requirement of benefit receipt. Due to the unharmonised state pension ages, both *Sasha* and *Jude* would have been able to retire at 60 if female; if male, the data reflects Austria's desert-focus with *Sasha* able to retire early in a number of different scenarios whilst *Jude* was limited to the same options as available to *Jean*.

Within five years, the decommodification options had begun to be curtailed for all model biographies. All of *Jean* and *Jude*'s options were closed off and they were as a result barred from accessing employment projects available to those who could have retired early. However, they could have benefited from the range of ALMPs introduced, particularly those that afforded older individuals protection from redundancies and employers incentives for their recruitment. *Laurent* and *Sasha*'s early retirement options were also retrenched through the addition of penalties to all the early retirement schemes and the raising of some contribution thresholds. Labour market participation was also encouraged for females in this age cohort through the introduction of incentives for the deferral of state pension.

Decommodifying policies were retrenched further by 2005 with the increase of age thresholds, thereby limiting *Laurent* to the same routes as *Jean* and *Jude* (for certain occupations). Indeed, *Sasha* would only have been able to access one additional route for long-term unemployment though this route was being closed off gradually. Special policies had been introduced for individuals over 60 to assist their labour market participation and the incentive for deferral was increased. In addition, by this year, a different system had been introduced for those who were under 50 in this year. This system was flexible, thereby moving away entirely from the desert-focused system to a rights-based model of decommodification. Individuals would therefore have autonomy over their exit, though their choices may be constrained by their contribution record as this was directly linked to their pension amount.

Luxembourg retained the same policy approach to *Laurent* and *Jean* throughout the entire period due to the fact that the majority of their decommodification policies contained age thresholds higher than 55. However, extended unemployment benefit durations in Luxembourg were contingent upon contribution record as opposed to age, meaning *Laurent* would have had been able to have been decommodified for longer than *Jean*. In terms of early retirement options, age was key to preventing both *Laurent* and *Jean* from accessing the routes available to both *Sasha* and *Jude*. These options were labour-market focused in that they applied in instances of redundancy to allow firms to restructure and for certain kinds of work. The desert-focused options had contribution thresholds that were too high for *Sasha* to access (this and the age threshold meant *Laurent* was barred).

Belgium too had in place a mix of labour-market and desert-focused schemes in 1995 with regard to the model biographies. Belgium began the ten year period with differential state pension and early retirement age thresholds for men and women, the latter of which was gradually raised. In addition, in 1995 individuals had the option universally of exiting at 60 years of age with a reduced pension amount unless they had made 40 years of insurance contributions. With regard to the remaining routes, early exit in the form of an extended benefit duration would only have been accessible by *Laurent*



and *Sasha* if male (if female they would have retired at 60) due to their contribution record whilst the remaining routes were available to all model biographies in instances of economic difficulty or firm restructuring. The routes that were retrenched were those available to *Laurent* and *Sasha* in terms of the benefit extension for those with extensive contribution records. However, the routes that allowed individuals to exit in instances of economic difficulty and firm re-organisation were retained throughout the entire period, whilst ALMPs were introduced.

By 2005, the state pension age for women had been raised to 64 and early exit in the form of an extended benefit duration that was accessible by *Laurent* and *Sasha* due to their contribution records had been closed off. Thus in the case of Belgium, gender and contribution records became less significant in the bestowal of decommodification whilst the needs of the market retained salience through the lack of retrenchment of the early retirement schemes for industries wishing to restructure.

Spain in 1995 partially focused on the labour market in terms of its decommodification policies, thus providing equal opportunities for all the model biographies made redundant or employed in an industry in crisis to retire early. They all would also have been exempt from the job search requirement of unemployment benefit receipt. In addition, *Sasha* would have been able to opt to exit at 60 due to their birth cohort and contribution record, though this would have resulted in a reduced pension amount. There was also the option for *Laurent* and *Sasha* to exit early if unemployed though a benefit extension due to their contribution record, representing a desert element. ALMPs were introduced over the following five years, including those aimed at the over-60s whilst the decommodification options were largely unreformed. By 2005, there was increased compulsion to engage in job search with addition of a scheme for those without work for 'reasons outside of their control' with an insurance record of 30 years. However, the early retirement schemes for certain forms of work were retained. Thus Spain strengthened the desert focus of its decommodification policies with the addition of a new route, whilst the labour market elements remained unreformed.

Italy retained its onus on labour market routes over the ten year period, as reflected in the policy treatment of the model biographies. The state pension ages in Italy in 1995 meant that *Sasha* would have been able to exit at 62 if male and 57 if female though they would have been able to continue to work until they had reached the 40 contribution years required for a full state pension. *Jude's* disjointed work history would have meant they would have been subject to the newer, flexible system, allowing them to retire between the ages of 57 and 65. However, the pensionable income produced by this system was contingent on contribution years and thus *Jude* may have been more likely to attempt to remain in the labour market for as long as possible. Also in this year, *Laurent's* decommodification options were more extensive than *Jean's* if they had been female, as a result of the application of a contribution threshold to one early retirement scheme. However, both individuals would have been able to exit early via the three schemes for industries in economic difficulty. With regard to the 50-plus model biographies, the three labour-market based schemes applied, and *Laurent* would also have been able to access the seniority pension.

Over the following five years, due to the increase in the state pension ages, if *Sasha* and *Jude* had been male they too would have been able to access these early pensions, whilst *Laurent* and *Jean* would only have been able to access these routes if they had been female. Unlike many of the EU15 nations, Italy was slow to adopt ALMPs and between 1996-2000 had made limited progress in this regard. Indeed, in the period of 2001-2005 one of the incentives for those over 60 to remain in the labour market through the exemption of social security contributions contained a contribution requirement, thus barring *Jude*. By 2005, Italy had introduced ALMPs yet had not retrenched the early retirement routes available to the model biographies on occupational grounds. However, *Laurent* and *Sasha* would no longer have been able to access the route in instances of extensive contributions as the threshold has been raised (unless they had been employed in blue-collar work or since a young age).

In the case of France, *Sasha* and *Jude* would have been able to exit at 60 years of age in line with the state pension age over the entire period, which was comparatively low

among EU15 nations. *Sasha* and *Jude* could continue to work and increase their pension amount, but only as they had not made sufficient contributions to receive a full pension (37.5 contribution years). With regard to *Laurent*, compared to other EU15 nations, the exit options available in 1995 were limited, whilst for *Jean* they were relatively expansive. This is because the routes were universal in terms of their eligibility criteria in that they applied in instances of redundancy. The following five years saw both the expansion of ALMPs and early exit and retirement routes, which could be seen to represent a contradiction. However, these options for decommodification were only applicable to certain industries so as to restructure firms or because these occupations were particularly arduous. This trend continued over the final five years, demonstrating France's commitment to decommodification as a means to assist the market and perhaps a testament to the power of the various occupations' unions in securing early retirement for their members.

The Greek system also provided unharmonised age thresholds for men and women, as well as different birth cohorts throughout the entire ten year period. Initially, the early retirement options were based on occupations, and thus if *Laurent* and *Jean* were female and employed in certain professions, they could both have exited early with no reductions to their pensions. In addition, there was also the option of exiting early if *Laurent* and *Jean* were female with a reduction on 6% per year prior to the state pension age (30% for these individuals). For *Sasha* and *Jude* in 1995, exit would have been available if they were male under similar conditions as *Laurent* and *Jean* (if female, *Sasha* and *Jude* would have exited at 60 in line with the state pension age). Both *Laurent* and *Sasha* would have been able to exit via an extended unemployment benefit duration due to their contribution records and yet there was also the option of subsidised employment (the presence of which in 1995 was comparatively early among EU15 nations).

Within five years, the early retirement routes for certain occupations had contribution requirements added, thus barring *Jean* and *Jude*. In addition, more of the early retirement routes previously accessible to *Laurent* and *Sasha* had reductions applied

to them. More desert-focused routes were added, including special schemes for women with certain levels of contributions. This presents a contradiction: the increased care burden of women with children who are minors or disabled is acknowledged and exit is permitted to undertake this care yet at the same time, these individuals may find the contribution threshold more difficult to attain. Concurrently, ALMPs had been introduced to promote the labour market opportunities of these individuals. By 2005, a further desert-focused route was added, thus heightening the desert-element of the Greek decommodification system and reducing the options available to *Jean* and *Jude* (and the sub-groups they represent) to exit early from the labour market.

Portugal shifted from a mix of rights and labour market to the former combined with desert as the principle behind decommodification policies. *Laurent* and *Jean*, as well as *Sasha* and *Jude* (if they were male; Portugal's unharmonised state pension ages meant women could retire at 63 in 1995) would have been able to exit early if they had been employed in certain industries or were unemployed. The subsequent shift towards a mix of desert- and labour market-focused decommodification was exemplified through the creation of a new route for long insurance durations with reductions. The routes for certain occupations were unretrenched. Thus *Jean* and *Jude* would have only been able to exit early if employed in certain occupations yet both *Laurent* and *Sasha* would have been able to retire early and not incur reductions in these instances- their access to the desert-based routes would have reduced their pension amount. In addition, the state pension ages for men and women were harmonised and supply-side ALMPs were introduced. No changes were made to the decommodification policies over the following five years.

The UK represents an outlier in the classification in accordance with their decommodification approach as throughout the entire ten year period, there were no early exit or retirement schemes available to any of the model biographies. The only concession to age in this respect was that the threshold for assets that determined an individual's access to means-tested unemployment benefit was higher for older individuals. However, due to the unharmonised state pension ages, *Sasha* and *Jude* could have exited at 60 years of age if female and had they remained in employment, they would have increased their

pension income. If *Sasha* and *Jude* were male, access to unemployment benefits until the state pension age was again contingent on their assets, as opposed to any other criterion. The UK did however introduce ALMPs from 1996 onwards, though they tended to be limited in nature, for example age awareness campaigns as opposed to age discrimination legislation, and subsidies only once the individual entered work (indeed, only *low* paid work).

#### **7.4 Conclusion**

When the data from the four model biographies are compared and contrasted, the intersections of age and contributions demonstrate the very different policy experiences of individuals within the older age cohort in EU15 nations over the ten year period. Only in Ireland were these characteristics inconsequential with respect to decommodification: all individuals over the age of 55 would have been able to retire early. For the remaining EU15 nations, the picture is more complex than convergence towards the EU's active ageing approach, which reflects the conclusions drawn from the cross-national policy analysis. At the micro level, it is apparent that not all older individuals are equally subject to the retrenchment of decommodification policies and the subsequent recommodification of labour. This is either because their opportunities for decommodification were limited from the outset, or because they remained resilient to retrenchment. What is apparent is that recommodification in the form of ALMPs were introduced across EU15 nations and tended to be universally available (with some exceptions). This therefore presents somewhat of a paradox at the macro level in some nations with both decommodification and recommodification policies, whilst at the micro level, choice with regard to exit or participation in the labour market was more extensive for some than others. Again, the eligibility criteria for the decommodification approaches either had a desert-, rights-, labour market- or mixed focus, which was reflected in the model biographies data.

The following section synthesises the literature presented in Chapters 2 and 3 with the data regarding EU15 nations' policy approaches and the model biographies over the ten year period.

## **Chapter 8 Analysis: Policy Changes at the Macro- and Micro-Levels**

As a theoretical base, this thesis utilised the work of Karl Polanyi and Bob Jessop to stress the interconnectivity between states and markets and how the welfare arrangements created by the former reflect the needs of the latter. It is argued a shift has occurred towards the recommodification of labour, necessitated by both the intrinsic weaknesses of previous state arrangements, and exogenous pressures (Jessop, 1994; 1997; 1999; 2002). Whereas once welfare arrangements provided security for individuals outside of the market, new active labour market policies promote the market as the provider of security, either privately or through paid employment (Papadopoulos, 2005; Carmel et al., 2007). This thesis sought to address these assertions empirically, with particular attention to policies for the older age cohort.

The literature on ageing demonstrates that ‘activity’ and ‘passivity’ in later life are partly constructed by policy which in turn is influenced by the economic situation, thereby adhering to notion that the state and the market are interconnected. In periods of high unemployment, older workers are encouraged to exit from the labour market whilst in times of labour shortage, policy encourages their participation. The policy focus has now fixed upon participation and ‘active ageing’, thereby altering the socially constructed roles for older individuals. Thus what is called for in policy discourse is the recommodification of older individuals’ labour through the closure of decommmodification options and the introduction of ALMPs.

The political economy of ageing literature stresses the state’s role in creating and perpetuating difference and disadvantage between groups in society. Integral to this literature is the idea that the experience of ageing is not homogenous due to its socially constructed nature. Policy does not treat individuals the same, and as a result they do not experience ageing in the same way. This provides a point of tension with the aforementioned recommodification and reserve army of labour literatures which focus on policy at the macro level. This thesis sought to assess the notion that nations are moving towards the recommodification of older individuals’ labour through ‘active ageing’

policies at the macro level, whilst addressing the differential policy treatment at the micro level in an attempt to marry literature from the recommodification, reserve army of labour and political economy of ageing schools of thought.

The data to a degree reflect the interconnectivity of the state and the market in that in an era of predicted labour shortages, older individuals' participation has been prioritised by policy. Even in those nations where the decommodification of older individuals' labour is retained, this is often contingent upon the needs of the market, for example in the cases where early retirement is reserved for certain industries or with replacement criteria. This provides the macro context, and the impetus behind the drive towards the EU's active ageing agenda as exemplified by its dual goals of retaining and reintegrating older individuals into the labour market.

However, the idea that there is a universal shift across EU15 nations towards active ageing and the recommodification of older individuals' labour is misleading in two respects: both at the macro level and at the micro level. In terms of the former, nations are progressing towards the dual active ageing aims of re-integrating and retaining older individuals in the labour market with different policy mixes and at different speeds, and from different starting points, thus reflecting the idea that policy legacies constrain reform paths (Pierson, 1996; 2004). Similarly, at the micro level, individuals within the category of 'older' are experiencing the active ageing agenda in terms of the policy options available to them differently. Thus the data can be utilised to provide a nuanced take on the aforementioned recommodification and reserve army of labour literatures, and to provide caution against claims that EU15 nations are converging on a particular blend of active ageing policies.

Indeed, with regard to original policy context in 1995, many EU15 nations provide early exit and retirement universally. Broadly, three main policy approaches to decommodification have been identified: a desert-focused system, a labour market-focused system and a rights-focused system. The policy legacies in these nations created the parameters for subsequent reforms in line with the active ageing agenda. Thus the

picture is more complex than linear convergence towards the EU's active ageing approach, representing the recommodification of labour. However, change has occurred, perhaps to a greater degree than the new institutionalist literature would envisage without the necessary 'critical juncture' (Pierson, 2004). In addition, the reserve army of labour argument presents the policy treatment of older workers as overly cohesive; not *all* older individuals were ejected through decommodification policies and similarly the active ageing agenda has not been applied universally. The first section of this discussion addresses the changes to policies for employment and retirement at the macro level, before examining the differential impact at the micro level, thus returning to the three aims of the research:

- to examine the adoption of 'active ageing' policies in EU15 nations - *the spatial-temporal element*;
- to examine the character of the policy changes over time (1995 to 2005)- *the historical-dynamic element*;
- to address whether specific groups within the older age cohort are treated differentially by these policies in these nations over this time period- *the normative element*.

As aforementioned, the data indicates that though nations are adopting policies that move towards the EU's goals related to active ageing (to increase the numbers of older people in the labour market, and to extend working lives), there is variation both at the macro and micro levels. In terms of the former, and related to the spatial-temporal and historical-dynamic research aims, there was variation in original policy contexts of EU15 nations, the character of subsequent reforms and final policy mixes available in 2005. These variations are addressed in relation to the two EU policy strands: first retaining older workers in employment, and second re-integrating older individuals into the labour market (which reflect the Barcelona and Stockholm targets respectively). With regard to retaining older individuals in employment, the reform and retrenchment of early exit and early retirement policies are considered as well as incentives for deferring state pension receipt, whilst ALMPs reflect the aim of re-integrating older individuals in the labour



force. In terms of the variation at the micro level, this is related to the normative element of the thesis and addresses the differential policy treatment of older individuals.

### **8.1 The Spatial-Temporal and Historical-Dynamic Aims: EU15 Nations' Policies and Reforms**

The first area of variation vis-à-vis active ageing and the de- and recommodification of older individuals' labour relates to the original policy context. Nations had in place different decommodification schemes that ran counter to the EU's active ageing goals by allowing individuals to retire or exit early from the labour market. The different policy contexts affected both the distance nations had to travel towards the active ageing agenda and the direction the reforms or retrenchment took. Thus this section addresses the first two research questions: first, are all nations converging towards the EU-vision of active ageing? Second what was the character of reforms undertaken in these nations over this time period?

#### *8.1.1 Retention: Variation in Policy Contexts and Reform*

In 1995, the active ageing agenda had yet to be embraced by EU15 nations and as a result, the legacy of the economic difficulties of the 1970s and 1980s meant the policy focus was still on the decommodification of older workers in many countries. The national policy approaches to older individuals in 1995 can be divided into those where decommodification was bestowed as a right for all individuals over a certain age, to those deemed deserving as a result of their contributions, or for labour market ends (i.e. for certain industries, with replacement requirements, for firms in economic decline or restructuring). What became clear from the data is that classification was made more complex by the multitude of policies available in some nations. Indeed, both extended benefit durations and job search exemptions represented *de facto* early exit, whilst early retirement also allowed for *de jure* decommodification; in some nations when considered in conjunction, these policies represented an area of contradiction or placed the country within more than one category.

In terms of the nations with rights-based decommodification approaches in 1995, Ireland offered early retirement to all individuals over the age of 55 who were unemployed for a year. Sweden too offered age-related unemployment benefit extensions and individuals were able to retire early and receive the same penalty per year prior to the state pension age in 1995.

In some EU15 nations when the policies for early exit and retirement were considered in conjunction, a mix of decommodification approaches was apparent in 1995. Portugal displayed a mix of labour market and rights as the guiding eligibility principles for their decommodification policies, whilst Belgium, France, Greece, Italy, Luxembourg and Spain represented a mix of labour market- and desert. Denmark and Finland's decommodification policies embodied a rights-element in terms of early exit through unemployment benefits and job search exemptions, whilst the early retirement schemes had a contribution element. Conversely, the Netherlands' early retirement policy was open to all with a reduced working capacity, whilst the unemployment benefit duration was contingent on age and contribution records. Germany's early exit schemes presented a mix of desert and rights whilst the early retirement schemes focused on the former. Austria largely focused on desert with regard to the decommodification policies available in 1995 (with the exception of a job search exemption and an early retirement scheme in the instance of a work accident, all of Austria's policies contained a contribution requirement). The UK represented an outlier in that there were no early exit or early retirement schemes available over the entire ten year period.

The notion that decommodification policies have universally been usurped by a focus on the recommodification of labour needs to be refined. The data demonstrate that the range of decommodification options varied, as did the eligibility criteria and their coverage. Indeed, just as the options for decommodification differed, so too did the character of reform and retrenchment (where applicable) as well as the subsequent recommodification policies. Therefore this section explores the second area of variance with reference to the recommodification of labour argument: the character of decommodification policies reform, and how this follows on from the national policy

contexts. In short, nations' initial decommodification policy approaches created paths along which they moved towards the recommodification of labour. Thus though policy change was evident across EU15 nations in line with Jessop's (1994, 1997, 1999, 2002) argument that welfare arrangements now contain a work-focused element, as Pierson (1996, 2004) notes, policy contexts bind nations subsequent reforms to particular paths.

Those nations with an element of desert in their decommodification policies were bound within set reform and retrenchment trajectories. These nations either opted to remove other, rights-based decommodification options, raise the age and contribution thresholds for the desert-focused policies or impose penalties on the pension incomes of those exiting; what they tended not to do was to remove the desert-focused routes entirely. To do so would have been to renege on existing contracts between the state and deserving individuals. Perhaps in these instances, the retrenchment of decommodification where it has been 'earned' was not politically viable. Indeed, of those nations that focused almost entirely on desert with regard to their decommodification options, in Austria retrenchment had been undertaken in the form of increased age thresholds and penalties for early retirement by 2000. Subsequently Austria opted to create a new system for younger cohorts, which though open to all below a certain age, did not represent a rights-focus in the true sense. Due to Austria's contribution-based pension accrual system, though individuals with disjointed work histories would have been able to exit flexibly below the state pension age, the reductions incurred when combined with their limited accrual over their working lives may have made this option financially impractical. Germany too introduced a new system for younger age cohorts after increasing the age thresholds for early exit and retirement, and imposing penalties on those leaving the labour market prior to the state pension age. The options available to the younger cohort in terms of decommodification were far less extensive than for more senior individuals. Perhaps in these two nations, retrenchment of desert-focused routes had reached their limits, and thus a new, narrower system for younger age cohorts was created.

With regard to nations with a mix of desert- and rights-focused decommodification, the latter underwent retrenchment whilst the former was strengthened

as the defining principle. For example, though Denmark still embodied a mix of desert- and rights-focused decommodification by 2005, this was a retrenched mix of policies compared to what had been available in 1995. Reform in this nation had taken the form of increased age thresholds for the rights-based early exit routes and the removal of the early retirement scheme available to those with a diminished working capacity resulting from ill-health or social reasons. The Netherlands too retrenched the rights-based element through the abolition of the universal job search exemption, whilst retaining the contribution focus of the unemployment benefit extension.

Finland however countered this trend by introducing a rights-based model by 2005. Initially Finland had in place rights-based early exit through an unemployment benefit extension and desert-focused early retirement. The former was retrenched through the increase of the lower age threshold whilst the latter were either abolished or restricted. Additionally, the state pension age was replaced by a rights-based system where individuals could retire between the ages of 63 and 68, with accrual rates that encouraged longer working lives. However, though there were no contribution thresholds, the final pension income was contingent on contributions, with steeper accrual rates for older individuals. Thus though decommodification was available on a rights-basis, individuals with limited contribution records would have received a low pension income if they opted to exit the labour market early, thereby constraining their level of choice. This system therefore propagates the disadvantage individuals face in the labour market into old age if they opt to exit, as opposed to offering choice over labour market participation.

Where there was a mix of rights- and labour market-focused decommodification, as was the case in Portugal, the shift was towards a combination of desert and labour market elements. In the case this nation, a contribution-focused route was created by 2000, whilst penalties were imposed upon the early retirement scheme for the unemployed. In addition, the unemployment benefit extension for the 55-plus was also retrenched through the imposition of a contribution requirement. The labour market-focused routes remained unretrenched throughout the entire period. This demonstrates when a rights approach was combined with a labour market-focus, the former was

retrenched through the imposition of contribution requirements, thus moving towards a desert-based element.

In the case of nations with a mix of labour market and desert schemes, such as Belgium, France, Greece, Luxembourg, Spain and Italy, these approaches were retained over the entire period. However, in Belgium and Italy, retrenchment of the desert-based decommodification schemes was undertaken through increases to contribution requirements, age thresholds and the imposition of penalties, whilst the labour market-focused measures were unreformed. Spain, on the other hand, added an additional desert-focused scheme by 2005. France too had a desert-focus for its early exit eligibility criteria whilst the early retirement schemes were labour market based. This focus was relatively unaltered through the reforms undertaken. Similarly, Luxembourg did not retrench the early retirement schemes which represented a mix of desert and labour market-foci. The case of Greece is different, although this nation too retained a mix of desert- and labour-market focus over the entire period. However, in 1995, though early *exit* through unemployment benefits was contingent on desert, penalty-free early *retirement* focused on certain occupations. Over the following ten years, desert requirements were added to these labour market-focused routes, thus restricting the number of successful candidates.

In addition, with regard to policies aimed at retaining older workers in the labour market, incentives for the deferral of state pension receipt were advocated by the EU and as with the decommodification policies, there was variation in terms of the situation in 1995 and the subsequent reforms. In 1995, Austria, Denmark, Finland, Luxembourg, Sweden, Germany and the UK provided increases to individual pension incomes if work was maintained post-state pension age. France, Italy and Spain allowed individuals with insufficient pension credits for a full pension to remain in work so as to increase their pension income. Portugal on the other hand had a contribution requirement for the deferral of pension receipt.

From the period of 1996, some of these nations undertook reform of this policy area. In the case of Austria, by 2005 the incentives for deferral had been increased.

Although Denmark by 2000 had further increased their deferral bonus, within a further five years this option had been retrenched through the application of an hours requirement (which was above the national average). Finland too reduced the bonus for deferral and Luxembourg removed it altogether by 2005. By 2005, Greece had introduced a bonus for deferral whilst Belgium, Ireland and the Netherlands did not provide incentives over the entire period. The remaining nations did not reform this policy area from 1995 onwards.

#### *8.1.2 Re-integration: Variation in Policy Contexts and Reform*

As highlighted in the methodology section of this thesis, the retrenchment of decommodification options represented the *de facto* recommodification of labour in that individuals will cease to have any other recourse but to engage in the labour market. At the same time, the introduction of ALMPs represents the *de jure* recommodification of labour. Just as the reform and retrenchment of decommodification policies varied, so too did the *de jure* recommodification policies in the form of ALMPs. The data show variation again in the context (with some nations having ALMPs for older individuals in place in 1995), character of reform in terms of both the timing of introduction and the type of policies implemented. In terms of nations with ALMPs for older individuals in 1995, France had in place an insertion-focused scheme which penalised employers who made older workers redundant as well as subsidies for this age group. Germany, Greece and Luxembourg also had subsidies in place whilst Italy, the Netherlands and Spain defended the right to work. In addition, Italy and Spain provided training so as to develop human capital.

With regard to the period of 1996 to 2000, Austria and Finland introduced ALMPs with insertion, coercive and human capital elements, with Finland also emphasising the right to work through anti-ageism legislation. Belgium focused on insertion and introduced subsidies and reductions for employers' social security contributions for older workers. France too continued to improve upon existing measures with insertion and (pseudo) job creation elements. Denmark introduced a coercive element, emphasising the individual's right and duty to participate in ALMPs, in addition to improving the labour market prospects of older individuals through job integration and subsidies. Germany,

Greece and Spain increased the subsidies for older workers and introduced measures to improve human capital through training. Sweden too created training schemes as well as providing public sector employment. Ireland and the Netherlands focused on human capital development and insertion through anti-ageism legislation. Portugal's approach in this period was limited to human capital development. The UK provided limited measures, including an age awareness campaign and in-work subsidies for those below a certain income threshold. In addition, individuals on certain unemployment benefits could have received additional job coaching.

Between 2001 and 2005, further recommodifying policies were introduced in the EU15 nations. Austria, France and Greece provided subsidies, human capital development and insertion measures. Belgium and Ireland created new subsidies and introduced anti-ageism legislation. Denmark increased the coercive element of its ALMPs in addition to providing protection in employment through anti-ageism legislation. The Netherlands and Spain also encouraged individuals to engage in job search whilst providing human capital development measures. In addition, Spain created temporary employment placements for older individuals. Finland, Germany and Italy's ALMPs in this period focused on human capital development and insertion measures. The latter two nations also created job placements for older individuals. Luxembourg and Portugal's ALMP introduction in this period was comparatively limited, with the creation of subsidies and human capital measures respectively. Sweden and the UK also did not undertake significant reform in this area during this period.

To return to Dean's (2006) typology of welfare-to-work programmes, it becomes clear from the data regarding policies for older individuals that nations adopted a variety of approaches and thus do not neatly fit within one quadrant of the taxonomy. Indeed, to place nations' policy approaches within one category would depict policies for older workers as overly static. The data highlights that the policy situation was constantly evolving and shifting with the introduction of new policies and the retrenchment of existing schemes.

### *8.1.3 Variation in Overall Progress Towards Active Ageing*

As would be expected, the diverse policy contexts and the divergent character of reforms and retrenchment have produced different final policy mixes in EU15 nations. Nonetheless it is clear from the data that nations have introduced policies in line with the EU's dual goals of retaining and reintegrating older individuals in the labour market and retrenched schemes that counter these aims, but there was still variation in the policies for work and retirement in 2005. I acknowledge however that these policies will continue to develop and change, perhaps then converging more universally on the EU model in the coming years. Thus this represents a possible site for future work: to continue to address nations' progress towards these EU targets and the nature of their reforms.

These policies for work and retirement need to be considered in conjunction in order to address nations' progress towards active ageing in a holistic sense. As outlined in Chapter 6, nations can be categorised according to whether they have made comprehensive, mixed or limited moves towards the EU's active ageing approach. The categorisation of nations takes into account the nations' differential policy contexts as a starting point, as well as the character of reforms and the final policy situation in 2005. To solely focus on the policy mix in 2005 would not only ignore the character of reforms, it would also overlook the original policy context and therefore the distance nations have travelled towards recommodification. The data highlights that some nations adopting a comprehensive active ageing approach by 2005 began the period of investigation with limited decommodification options, whilst others retrenched opportunities for exit substantially to be included within this category.

In terms of those nations adopting a comprehensive active ageing approach, Austria retrenched the decommodification policies available, introduced a range of ALMPs and provided incentives for deferral. With regard to exit, a dual system for different age cohorts had been created in accordance with which those over 50 in 2005 would have been able to retire early if the individual had been employed in heavy industry or had a long insurance duration (though the latter was being phased out); for those under 50 in 2005, early exit from the labour market would have incurred both a loss



of pension income in terms of contribution years and also a penalty deduction. In addition, there were incentives for the deferral of state pension receipt and ALMPs encompassing insertion, human capital development and (pseudo) active job creation principles.

Germany also had created two systems of early retirement for different birth cohorts by 2005. For those born before 1952, exit with certain levels of contributions was permitted for women, in instances of long-term employment or insurance durations, and where an individual's working capacity was reduced. All of these routes contained contribution requirements and reductions to the final pension amount. For younger age cohorts, the scheme for women was closed and the age thresholds for the disability and long insurance routes were progressively raised. There was a job search exemption in place for those over the age of 58.5, but this was being phased out as of 2006. In terms of the ALMPs, Germany had focused on job creation, human capital development and anti-ageism legislation, whilst individuals would have been able to increase their final pension amount if they continued to work beyond the state pension age.

Though Finland had undertaken a great deal of retrenchment with respect to its early retirement schemes in place by 2005, the unemployment tunnel was retained, providing early exit from the age of 57. From this, individuals could have moved onto the contribution-based unemployment pension, which contained a penalty of 4% per annum. In addition, there was an early pension for farmers and a general scheme with a reduction of 6% per annum. The case of Finland demonstrates the importance of context and the mapping of reforms; if assessed solely in terms of the early exit and retirement routes in 2005, it would appear to have a long way to go before it embodied the EU's active ageing agenda. However, compared to the extensive list of routes from the labour market for older individuals in 1995, those available in 2005 represent a significant reduction. In addition, Finland also provided a bonus for the deferral of state pension receipt and ALMPs including human capital development, subsidies and anti-ageism legislation. Therefore though Finland still had a comparatively large amount of decommodification options available in 2005, these were greatly reduced compared to the situation in 2005

and the pension system had been reformed to encourage longer working lives through age-related accrual rates.

Sweden too displayed a comprehensive mix of active ageing policies, yet as aforementioned, the initial national context needs to be underscored. Unlike Austria, Germany and Finland, Sweden did not have an array of early exit and retirement schemes: the only options were an extended benefit duration or retirement prior to the state pension age with a reduced pension amount. Thus Sweden had less distance to travel in terms of shifting from decommodification towards recommodification. In addition, there was already a bonus for the deferral of state pension receipt in place in 1995. However, Sweden did adopt ALMPs for older individuals over the ten year period including job creation and human capital development and abolished early exit through unemployment benefits.

Denmark also had a relatively limited range of decommodification policies in place yet retrenchment was still undertaken over the ten year period. In the case of the former, early exit through extended benefit durations was only available to those eligible for an early retirement pension (the focus of which was contributions). However, those over the age of 55 were still exempt from the job search requirement of unemployment benefit receipt and individuals could retire early if they had made a certain number of contributions, but would also incur a penalty reduction to their final pension amount. In terms of ALMPs, coercive and job creation activation measures were introduced yet the bonuses for deferral were effectively reduced over the ten year period.

The Netherlands can also be classed with Denmark and Sweden as a nation with less ground to cover towards the active ageing policies in terms of the absence of early exit and retirement. In the case of the Netherlands however, this is because private occupational schemes allowing early exit were extremely popular. With regard to state-provided early exit in 2005, individuals would have been exempt from actively seeking work over the age of 57.5 and those with a certain level of contributions could receive an unemployment benefit extension. The ALMPs introduced included anti-ageism

legislation, human capital development and training yet no bonuses for deferment were available.

Some nations adopted a more ‘mixed’ active ageing approach, denoting the retention of certain decommodification options whilst at the same time retrenching others and introducing ALMPs. Belgium had in place early exit through extended benefit durations for those with extensive contribution records, as well as early retirement in instances of dismissal and for long insurance records. Individuals who had become unemployed after July 2002 had to engage in job search if under the age of 57, and ALMPs were in place that encompassed subsidies, job placements and anti-ageism legislation. Yet Belgium had not implemented incentives for the deferral of state pension receipt.

Similarly, France and Italy retained a range of labour market-focused decommodification opportunities, though by 2005 ALMPs had been introduced. France had a fairly extensive array of early exit and retirement schemes still in place in 2005. Individuals over the age of 57 were exempt from looking for work as well as those who had made 160 insurance quarters at the age of 55. There was also a supplement to the unemployment benefit for those over a certain age and level of contributions. In terms of early retirement, there were two partial schemes, two routes for those employed in arduous labour and a policy for firms facing economic difficulties to shed their older workers. With regard to the ALMPs available, France focused on anti-ageism measures and subsidies. In addition, in the case of France the deferral of state pensions was limited to individuals who had yet to secure the full pension amount through their contributions.

In 2005 the Italian system offered early retirement for long insurance durations and industries in economic difficulty. With regard to the state pension system, two options were in place, one for those who had contributed at least 18 insurance years pre-1995 and one for those who had not. The state pension ages for the former were 60 for women and 65 for men whilst the newer system offered exit between the ages of 57 and 65, with the accrual rates to encourage longer working lives. Individuals deferring

pension receipt would have received a tax-free subsidy, equivalent to their social security contributions. The ALMPs available included anti-ageism measures, job placements and human capital development through training.

Greece too retained the labour market-focused early retirement options, though contribution requirements had been applied to all routes, some of which contained penalties. Greece also had different systems of early retirement for different age cohorts. For those who entered the insurance system after 1993, early retirement was available with either reductions or without, for certain occupations and contribution records (four routes available in total). Individuals who entered the insurance system pre-1993 could similarly access both reduced and unreduced early pension, though there were more schemes, eleven in total. Again however, the context is crucial to appreciate the distance the Greek system had travelled towards the active ageing agenda. These routes all contained a contribution requirement by 2005, thus limiting older individuals' access whereas in 1995, the focus was solely on occupations. In addition, a bonus for deferment had been introduced, as well as ALMPs including job creation, human capital and anti-ageism legislation.

Though like Sweden, Denmark and the Netherlands, Ireland too had a limited number of decommodification options in 2005, this one option had a comparatively low age threshold as its entry requirement and was unreformed over the entire period. Also, though ALMPs were introduced, no incentives for the deferral of state pension receipt were introduced. Thus Ireland's progress towards the active ageing agenda can be considered to be mixed.

With regard to the nations that presented a limited active ageing policy approach by 2005, these included Luxembourg, Spain, Portugal and the UK. Luxembourg had a wide range of early retirement policies, totalling seven schemes, which had not been retrenched over the ten year period. Yet in comparison to other nations, they all had relatively high contribution requirements. However, Luxembourg appeared to counter the EU's recommended active ageing approach by abolishing the bonus for deferment by

2005. The ALMPs available in this year included subsidies and were also limited in comparison to other EU15 nations.

Spain and Portugal also retained or expanded the decommodification options available, though there were more ALMPs on offer than in Luxembourg. The Portuguese early retirement system comprised of three main routes by 2005: in instances of unemployment (with two age thresholds, with individuals opting to retire at the younger age incurring a reduction to their final pension amount), for those employed in arduous labour and for those with long contribution records. Again, the policy changes undertaken are noteworthy in that over the period of 1996 to 2000, Portugal added the latter route. Thus as other EU15 nations were reducing their early retirement schemes, Portugal created a new, desert-focused option and applied a contribution requirement to the unemployment scheme for those over 55. The onus of ALMPs available in this year focused on the development of human capital whilst deferral of pension receipt would have increased the pension by a comparatively generous 10% per year.

Spain presents a similar case to that of Portugal. When the early retirement schemes available in 2005 are addressed in isolation of the reforms undertaken over the ten year period, Spain would appear to have a relatively small array of options. However, by 2005, a new route had been added, running counter to the logic of the EU's active ageing goals of retaining and reintegrating older individuals into the labour market. As a result, Spain offered early retirement for industries in economic difficulty or restructuring, for unemployed individuals with a contribution requirement, and for long insurance records. In addition, the bonus for deferring state pension receipt was low compared to other nations at only 2% per year. With regard to the ALMPs available in this year, anti-ageism policies, human capital development measures and job placements had been created.

The UK was unique in that there were no state-provided early exit or retirement schemes available, and therefore arguably this nation had the least distance to travel from decommodification towards the recommodification of older individuals' labour.

However, the limited ALMPs mean that the UK's approach represents the de facto recommodification of labour in that individual would have had no other recourse than to enter the labour market; this however does not represent a holistic active ageing approach or de jure recommodification of labour in that few policies were available to promote older individuals participation in the labour market.

The recommodification of labour literature can be refined when applied to the data regarding the policy treatment of older individuals. The depiction of a broad shift from the decommodification to the recommodification of labour through social policy obscures a great deal of divergence within both elements. The availability and eligibility criteria for the decommodification of labour varied significantly in EU15 nations throughout the period, as did the subsequent policies available which focused on recommodification. In addition, the recommodification of labour argument does not explore the nature of the reform and retrenchment of decommodification policies; indeed, it underplays the resilience of many decommodification options, and that often they co-existed with newer recommodification schemes. The examination of the initial decommodification approaches in the EU15 nations demonstrated that reform and retrenchment towards the de facto recommodification of labour was bound by these original contexts, thus reflecting the arguments of Pierson (1996, 2004).

Yet to stress the case of Pierson too strongly may also underplay the degree of change EU15 nations underwent, and the progress made towards the EU's active ageing agenda. The empirical data demonstrates EU15 nations have all made changes to their policies for older individuals in order to encourage them to enter and remain in the labour market, yet these changes have not resulted in linear convergence. The divergent reforms and final policy pictures in 2005 reflect the different policy contexts in 1995, which dictated the distance nations had to travel towards the EU's active ageing goals, and the shape that reform and retrenchment could take. Additionally, as the next section will demonstrate, the reforms and retrenchment undertaken had different effects at the micro-level, which is an important facet to be added to the recommodification of labour arguments: which groups are recommodified whilst others can be decommodified?

## **8.2 The Normative Element: The Decommodification/ Recommodification Options for Older Individuals**

As demonstrated in the previous section on the spatial-temporal and historical-dynamic aims, EU15 nations' policies did not move towards an *identical* active ageing approach, in part due to their differential policy legacies. What is also apparent is that at the micro-level, active ageing policies within these nations did not represent a homogenous experience. The data highlight the need for more nuanced versions of the recommodification and reserve army of labour arguments. Not *all* older individuals were equally subject to the recommodification of labour, or were being drawn into the labour market in a period of low unemployment. Indeed for some the opportunity for decommodification was limited or absent from the outset. Over the ten year period, some sub-groups within the category of older age had more choice with regard to their degree of labour market participation pre-state pension age in that decommodification options remained available whilst ALMPs for this age group were introduced. At the same time, certain groups' ability to be decommodified was being retrenched whilst ALMPs focused on the recommodification of labour. Therefore the arguments that individuals are being recommodified and that all older individuals are part of the reserve army of labour, drawn into and expelled from the labour market as the economy requires obscures a great deal of variation need to be refined: not all individuals had the option of decommodification, and some retained this ability and thus were less subject to the logic of recommodification. Thus to paraphrase Orwell, in EU discourse all individuals should age actively, yet when examined at the micro level, some are required to be more active than others. This differential policy treatment of sub-groups within the older age cohort will be explored in the following section.

### *8.2.1 Labour Market Opportunities*

The data from the model biographies demonstrate the importance of labour market opportunities in shaping the experience of old age, in line with the political economy of ageing arguments. With regard to labour market participation gender is particularly relevant in some nations due to the unharmonised age thresholds and the impact care has

on employment prospects. Leaving gender aside until Section 8.2.3, labour market history is not only a pertinent area for women; other social characteristics also impact upon the ability to participate in paid employment, such as disability, recurrent health problems, discrimination on the grounds of age or race, as well as the devaluation of skills and the decline of certain industries.

Long, uninterrupted careers were an important determinant of decommodification opportunities for some nations in 1995, and became increasingly significant over the ten year period. As the data comparing *Laurent* and *Sasha* with *Jean* and *Jude* demonstrates, the division of deserving and undeserving was often made in accordance with contribution records. This was particularly the case in Austria, where all decommodification options contained a threshold of insurance contributions with the exception of job search exemption and in instances where disability was the result of a work accident. The desert-focus was increased over the ten years, with the abolition of the job search exemption and early retirement scheme for those with a reduced work capacity. In addition, the desert-focused early retirement policies were retrenched through increases to the age thresholds and the imposition of penalties. In other nations, such as Denmark, Portugal and Greece, the focus on desert was introduced or increased over the ten year period, thus barring *Jean* and *Jude* from many decommodification options. At the same time, ALMPs would have offered increased possibilities for recommodification.

However, labour market participation not only affected an individual's ability to exit early; it also impacted upon the level of pension income in many nations, which could have constrained the decision to remain in the labour market. In nations where the final pension income was contingent on contribution years, this provided an additional consideration with regard to *Jean* and *Jude*'s exit. Austria, Belgium, France, Germany, Greece, Ireland, Luxembourg, Portugal, Spain the UK all had first tier<sup>44</sup> pension systems based on contributions with only low-level social assistance pensions for those with no

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<sup>44</sup> I use the term 'tier' in line with Immergut and Anderson (2007)'s distinction whereby a 'pillar' indicates the sector in which the pension scheme is located (public, occupational and private) and 'tiers' include the type of benefit. Thus 'first tier' includes basic state pensions, whilst social assistance substitutes for a minimum pension are separate.



contributions, whilst Denmark, Finland, Italy, the Netherlands and Sweden and all had a first-tier, basic flat-rate citizenship pension with additional supplementary schemes. As a result, when examining the nations with early exit and retirement policies with a rights element, pension accrual is an important consideration. In these nations, though the option for early exit may be open to all, individuals with limited labour market opportunities in a practical sense may be less financially able to take this option due to the reduced pension income it would produce. When Ireland and Sweden are contrasted, the significance of a flat-rate, citizenship-based pension was highlighted. In Ireland, lower levels of contributions would have resulted in a reduced pension and thus though early retirement was universally available, individuals with disjointed work histories may have been deterred due to the additional loss to their pensionable income this would sustain. Sweden on the other hand retained a flat-rate citizens' pension from 1995 to 2005<sup>45</sup> and as a result, individuals had full choice with regard to their decommodification. Had the pension amount been contingent upon contribution records, though the option of decommodification was open to all, those individuals with limited labour market opportunities in a practical sense would have been less financially able to take this option due to the reduced pension income it would produce.

In terms of class and its relationship with employment, in some nations early exit and retirement were occupationally segmented. First, the notion of a 'full' career varied in accordance with different industries, perhaps because of negotiations between the state and the social partners (Ebbinghaus, 2006; Immergut et al., 2007) or because they represent the opportunity for firms to shed older workers (Jacobs and Rein, 1994). The labour-market elements of decommodification proved resilient in Belgium, France, Italy, Portugal, Spain, Luxembourg and Greece. Second, supplementary pensions, whether provided by the state, employer or private sector, are not equally distributed, either in terms of availability or in terms of the ability of the various sub-groups within the older age cohort to make sufficient contributions.

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<sup>45</sup> However, Sweden had introduced a new pension system by 2001, with individuals subject to different ratios of old and new system depending on the year of their birth. The new system was made up of three elements, including earnings-related and insurance-based strands but retained a universal basic scheme.

### 8.2.2 Age

The comparison of policy availability for individuals aged 55 and 63 not only demonstrates the salience of labour market history in the form of contribution and insurance records, it also underscores the differences age and gender have with respect to decommodification opportunities. In terms of age, only Ireland offered all of the model biographies the same policy mix over the entire ten year period (rights-based decommodification, with ALMPs introduced to encourage labour market participation) as the age threshold was set at 55.

With regard to the other EU15 nations, the policy treatment of *Laurent* and *Jean* was different from that for *Sasha* and *Jude* on the basis of age. Age was particularly pertinent in France with regards to the state pension as *Sasha* and *Jude* would have been able to retire at 60 throughout the entire period. In the case of the Netherlands, early retirement had low age thresholds, whilst early exit through unemployment benefits would have been limited for *Laurent* and *Jean*. In Luxembourg throughout the entire period the 50-plus model biographies' ability to be decommodified through extended benefit durations was contingent upon their contribution records as their age barred them from the mix of desert- and labour market-focused early retirement schemes available to those over the age of 60. In the case of Sweden, *Laurent* and *Jean* were too young to retire early, but could access extended benefit durations in 1995 whilst *Sasha* and *Jude* could retire early at their discretion. Age became more significant in Sweden in that the age threshold for the unemployment benefit extension was raised by 2000 to 57 before being abolished altogether by 2005. With regard to Germany, though *Laurent* and *Jean* were too young to retire or exit early, their unemployment benefits were contingent upon their age and contribution records. In this nation, retrenchment took the form of increased age thresholds and the imposition of penalties for the early retirement routes, though *Sasha* and *Jude* were unaffected by this change as they were older than the new ceilings.

In addition, retrenchment in many nations often took the form of increased age thresholds, thereby curtailing the model biographies' decommodification options. In those nations where decommodification opportunities had a mix of labour-market and desert-

focused decommodification policies, such as Belgium and Italy, reform consisted of retrenchment of the latter routes through the increase of age thresholds, imposition of penalties or total closure of routes, whilst the former were largely retained. As a result, both *Sasha* and *Jude* would have been able to exit or retire early if employed in certain occupations or industries in difficulty. Denmark had in place relatively low age thresholds for decommodification in 1995, yet within ten years, these limits had been raised to bar *Laurent* and *Jean*. Finland too initially provided *Laurent* and *Jean* the option of remaining on unemployment benefits whilst for *Sasha* and *Jude* the early retirement routes exemplified a mix of rights- and desert. By 2000, the age threshold for the rights-based decommodification option for *Laurent* and *Jean* had been closed off whilst recommodifying ALMPs had been introduced. In the case of Austria, age and gender combined to allow retirement and exit for *Laurent* due to their contribution record in 1995. As with the Finland and Denmark, retrenchment of these options took the form of increased age thresholds, whilst the onus on desert was increased for *Sasha* and *Jude*.

### 8.2.3 Gender

The model biography data demonstrate that gender was key to the experience of ageing in two ways. As aforementioned, the experience of ageing is bound up with previous interactions with the labour market and state policies and this is particularly pertinent with regards to women and decommodification. Bettio and Plantenga (2004) argue nations' care policies influenced the extent to which the family, and principally women, acted as the provider. Thus women's work histories can be interrupted by the provision of care, in part dictated by the level of state involvement in this area (Bettio and Plantenga, 2004; Millar, 1999; Pfau- Effinger, 1999). With respect to policies for work and retirement, a disjointed work history first will reduce an individual's pension income in nations where the final amount is indexed according to contributions (if these nations do not provide sufficient credits for periods of care giving), and second in some nations will determine access to decommodification through early exit and retirement schemes. Though this thesis does not address occupational pensions, women face disadvantage here too due to their disproportional role in unpaid care provision. Thus pensions do little to redress the lack of recognition care receives as an area of labour during the period in the

lifecycle designated for 'work'; indeed, they persist in devaluing labour within the family (Price, 2006; Ginn and Arber, 2006).

In addition, in many EU15 nations, pension age thresholds as well as those for early exit and retirement are unharmonised. As a result, in some nations, if *Sasha* and *Jude* had been female they would have been over the state pension age whereas the early retirement age thresholds may have allowed a female *Laurent* and *Jean* to be decommodified. However, on a practical level, women's capacity to be decommodified may be constrained both in terms of the state pension ages and the early retirement schemes. With regard to the former, in pension systems where the final pension amount was contingent upon accrual over the individual's working life, women again may have made less contributions due to time spent providing care, dubbed the 'family gap'. When combined with the 'gender gap' (Evandrou and Falkingham, 1995) with regard to pay, this reduces women's choice regarding exit, as remaining in work is the only way they can secure an acceptable level of income, or leads to dependency on their spouses. In addition, where pension ages are unharmonised, women effectively have less time to accrue a sufficient pension income pre-state pension age.

In terms of the intersection between gender and age, the UK had in place unharmonised state pension ages for men and women, thus allowing *Sasha* and *Jude* to retire at 60 if female. Greece too retained unharmonised ages for men and women for both the state pension and the early retirement routes. Given that these nations based pension amounts on contribution years and women's increased likelihood of periods of caregiving, these lower age thresholds in effect provide females less time to accrue a sufficient pension income.

However, some nations with different age thresholds harmonised their pension ages over the ten year period. This was the case in Portugal where the state pension age for women was set at 63 in 1995. By 2000, it had been harmonised to reach 65. In Belgium the state pension ages were initially unharmonised for men and women but by 2005, they had been levelled. However, though the pension ages were initially different,

the age thresholds for the early exit and retirement routes were the same for both genders. The Italian pension system for men and women was complex in that those who had made less than 18 years of contributions pre-1996 would have been subject to a flexible system whereby the individual could exit between 57 and 65 with their extended labour market participation incentivised by the accrual rates. Thus *Jean* and *Jude* would have been subject to this system whilst for *Laurent* and *Sasha*, a different system was in place. In 1995, the state pension ages for men and women were 62 and 57 respectively, rising to 65 for men and 60 for women over the following five years.

The second area of constraint related to gender and decommodification addresses early retirement schemes. In nations where early exit and retirement required a certain number of contributions, lower age thresholds for women effectively meant they had less time to accrue sufficient years. Even where age thresholds were harmonised, the contribution requirement may have reduced women's opportunities for decommodification as the result of their disjointed work histories due to their caring role. However, to provide increased choice vis-à-vis labour market participation for those with extensive contributions is not necessarily inequitable. After all, those who have worked for the longest periods of time may deserve to be decommodified at a younger age. Yet this assumes that opportunities to participate in the labour market are bestowed equally upon all citizens. A number of factors inhibit individual participation, including care provision and employers' *expectation* of care provision (which may limit employment opportunities) and so certain groups will find 'earning' decommodification more problematic (Knijn and Kremer, 1997; Himmelweit and Land, 2008; Crompton et al., 2003). Anderson (2004) and White's (2000, 2004) arguments regarding workfare can be applied to the notion of 'deserved' decommodification: states that demand a certain level of contributions before an individual 'deserves' decommodification need first to ensure equality of opportunity for individuals to secure these contributions. In addition, Anderson argues unpaid care is undervalued by states, which fail to acknowledge its status as "socially necessary labour" (ibid: 248).

In addition, many of the nations with a desert-focus or element in their decommodification policies undertook retrenchment in the form of penalties for those accessing these routes in the form of percentage decreases to the final pension amounts. In these nations, penalties in addition to income lost through accrual would have been borne more easily by those with extensive contribution records. Again, this highlights the importance of labour market participation in shaping the experience of old age: decommodification can be afforded by those with long work histories, who are less likely to be female. In addition, individuals with recurrent health problems are also disadvantaged in terms of these desert-focused routes, and the penalties they would impose.

For example, in the case of Austria, the pension amount was linked to individuals' contribution records; the lower age thresholds for women therefore meant they would have less time to accrue a good pension income. This when combined with women's increased probability of having a work history interrupted by care produces a low pension income when compared to their male counterparts. In addition, the unharmonised age thresholds for the early retirement schemes effectively meant women had five years less than their male counterparts to meet the contribution requirement. The same conclusions could have been made about the Belgian and Portuguese state pension ages due to their systems of accrual yet the harmonisation was being undertaken. Italy however had unharmonised state pension ages for men and women in the old system for those who had made more than 18 contribution years prior to 1995, yet there was also a means-tested citizenship pension and an additional contribution-based supplement.

Though the state pension ages in Germany were harmonised, there was an early retirement route for women that contained a contribution requirement. Women opting to take this route in 1995 would only have reduced their pension amount in terms of lost insurance years between the age threshold and the state pension age; however, an additional penalty was applied to this route by 2000. Greece too had lower state pension and early retirement age thresholds for women and like Germany, the subsequent application of contribution requirements would effectively have given women less time

than their male counterparts to accumulate insurance years. However, in the case of Greece, new early retirement policies were introduced by 2000 for women with dependent children, yet these too contained a contribution requirement.

Thus gender constrains female exit in two ways. First in a practical sense, women's interrupted work histories that result from caring may bar them from accessing decommodification policies with contribution thresholds. Second, women may be implicitly deterred from decommodification when final pension amounts are linked to contributions, which a limited work history may make financially untenable for women. As a result, married women may become dependent upon their partners' pensions to provide a reasonable standard of living in old age (Meyer, 1998).

The data from the model biographies highlights that policies for older individuals create divisions within this age cohort along the lines of class, occupation, gender and age. As a result, policies for work and retirement play a role in not only perpetuating disadvantage accrued over the lifecourse, but also exasperating these differences through the unequal policy choices presented to the sub-groups within the older age cohort. Though nations' active ageing policies aim to address intergenerational equity by ensuring younger cohorts are not burdened by passive older generations, they in fact contribute to intragenerational inequity between older individuals.

### **8.3 Conclusion**

EU15 nations have all made some moves towards the EU's active ageing agenda, and thus the recommodification of older individuals' labour. However, these moves should not be taken as indicative of linear convergence, as nations still display a significant amount of divergence with regard to their active ageing approaches. This chapter outlined the two main levels of variation within EU15 nations' active ageing approaches: at the macro level in terms of their policy contexts, the character of reforms, final policy mixes; and at the micro level in terms of the options available to individuals within the older age cohort. Thus the recommodification of labour argument can be refined to include considerations of the original policy contexts, in terms of the

decommodification policies available and their impact on subsequent reform trajectories, as well as the differential policy treatment of individuals.



## **Chapter 9 Conclusion**

This thesis explored the policy treatment of older individuals in EU15 nations from 1995 to 2005. It began by providing the macro-context in terms of the recommodification of labour literature. It is argued that decommodifying policies have been retrenched whilst the focus has shifted towards the recommodification of labour. The review of the literature first explored the commodification and decommodification of labour, examining the works of Polanyi (1944) before using the work of Jessop (1994, 1997, 1999, 2002) to elucidate the collapse of these welfare arrangements and their subsequent replacement with activation and workfare measures. Jessop's work was then evaluated, in particular with new institutionalist literature which highlights the importance of policy context in shaping reform paths, before the recommodification of labour was explored and critiqued (Papadopoulos, 2005; Holden, 2003; White, 2004; 2006).

The second main literature review chapter focused specifically on older individuals and argued that historically they have been drawn into and expelled from the labour market as required by the economy. As a result of the economic crises of the 1970s and 1980s, many nations had introduced early exit and retirement schemes so as to reduce youth unemployment (this however adheres to the 'lump of labour fallacy' [Samuelson, 1980]). The subsequent shift towards the 'active ageing' agenda which focuses largely on labour market participation, for this literature, is the result of predicted labour shortages and demographic change.

Though there may be disagreement between the recommodification and reserve army of labour literatures- the latter suggests the move towards activation policies in part of a cyclical process whilst the former suggests the shift is the result of endogenous and exogenous pressures on decommodifying welfare arrangements- both approaches focus on the macro level. As a result, they do not address differential policy treatment at the micro level, in terms of the division of welfare clients into 'deserving' and 'undeserving'. The third main literature employed by this thesis was the political economy of ageing,

which highlights policy's role in creating and perpetuating differences within age cohorts. Thus not all individuals would have been decommodified or expelled from the labour market and equally not everyone's labour will be subject to recommodification.

The thesis therefore had three main research questions, the first of which addressed whether EU15 nations were moving towards the EU's active ageing agenda in the period from 1995 to 2005, which can be viewed as indicative of the shift away from the decommodification of labour towards its recommodification, as well as part of a broader trend of older individuals' inclusion in the reserve army of labour. In terms of the policy areas under investigation, this thesis focused on the EU's Stockholm and Barcelona targets of increasing the participation rates of those over 50 to 50% and extending the effective retirement age by five years respectively. The retrenchment of early exit and retirement schemes, the creation of ALMPs focused on older individuals, the increase of state pension ages and the introduction of incentives for deferral were included as part of this agenda. The thesis sought not only to examine EU15 nations' policy mixes at two points in time and provide a contrast, it also strove to examine the character of reform and retrenchment and address whether certain policy legacies bound subsequent policy changes within set parameters, as implied by the new institutionalist literature (Pierson, 1996; 2004; Streek and Thelen, 2005). This thesis therefore adopted a dynamic approach through the inclusion of the second research question which focused on character of change, as opposed to solely focusing on the changes themselves; change was addressed as a process, not exclusively an outcome at particular points in time.

In addition to the macro aims relating to the policy changes at the national level, this thesis was influenced by the political economy of ageing arguments which suggest the experience of ageing is not homogenous and filtered through national policies. Thus policy can exacerbate or ameliorate differences between groups, which affect the experience of ageing. As a result, model biographies were employed to address the second research question: EU15 nations' differential policy treatment of older individuals. The recommodification and reserve army of labour literatures both focus on the macro level, though the latter does specifically relate to older individuals; they do not

address the diverse sub-groups and they interact differently with state policy. Policy has traditionally divided recipients into ‘deserving’ and ‘undeserving’ of decommodification and this thesis addressed which older individuals were placed in which category, and thus were less subject to the ‘active ageing agenda’. The eligibility criteria were examined so as to establish the policy options available to which groups, and the degree to which they altered over the ten year period.

The thesis was therefore not focused on causation, in terms of the impetus behind nations’ policy changes and despite the inclusion of new institutionalism, the focus was also not on the processes of change, instead utilising this literature to provide a caveat to Jessop’s overly convergent, macro approach. Nor did the thesis aim to address outcomes at either the macro- or micro-levels in terms of reduced state expenditure on this age cohort or individual financial losses and gains. Instead focused on three research questions: Are all nations converging towards the EU-vision of active ageing? Second, what was the character of reforms undertaken in these nations over this time period? Finally, are all individuals within the category of ‘older age’ equally subject to active ageing policies?

Based on these, the following connected research aims are included:

- to examine the adoption of ‘active ageing’ policies in EU15 nations - *the spatial-temporal element*;
- to examine the character of the policy changes over time (1995 to 2005)- *the historical-dynamic element*;
- to address whether specific groups within the older age cohort are treated differentially by these policies in these nations over this time period- *the normative element*.

The conclusions of this thesis are threefold. First, it concludes that, at the macro level, there has indeed been a shift towards the EU’s active ageing agenda and thus older individuals’ labour is being recommodified yet national reforms and final policy mixes still contained a great deal of divergence. Thus to present an overly convergent or divergent picture would be misleading: progress has been made in all EU15 nations

towards the EU's active ageing agenda, but this does not mean that by 2005 they presented the same- or even very similar- policy packages for older individuals. Second and related, the distance nations had to travel towards these goals as a result of pre-existing decommodification policy legacies affected the speed, direction of reform and final policy mixes. For example, nations with desert-focused decommodification could increase contribution requirements whilst those without a desert-element could introduce insurance thresholds, thereby shifting the focus of their early exit and retirement approach. Finally, at the micro level, the model biographies assisted in providing more nuanced accounts of the recommodification and reserve army of labour literature. It is clear that from the outset, policies in certain nations divided individuals into those worthy of decommodification and those who were not. As a result, the notion that *all* individuals are being recommodified and *all* older individuals are part of the reserve army of labour was refined as clearly some had more limited opportunities for labour market exit at the outset. In addition, these literatures imply that the active ageing agenda as a means of recommodifying older workers labour and drawing them into the labour market in a period of labour shortage would be applied across the whole age cohort. The data however demonstrates divergence with respect to national policy treatment of the older age cohort along the lines of age, gender, occupation and previous contributions.

The conclusion is therefore that though EU15 nations shifted towards the active agenda, and are thus recommodifying older individuals' labour, there still exists a great deal of divergence in the type, timing and speed of reforms in addition to the policy treatment of individuals within this age cohort.

### **9.1 Contributions to Knowledge**

There are three main contributions to knowledge drawn from the empirical data. At the macro-level, first, the literature on the recommodification of labour can be refined with regard to the policy treatment of older individuals. To return to the literature explored in Chapter 2 of this thesis, it is clear that the arguments around the recommodification of labour and the shift towards the SWPR can be reassessed with regard to nations' active ageing approaches. Though broadly EU15 nations did move

towards the active ageing agenda, which represents the recommodification of older individuals' labour, there was a great deal of variation in original policy context, the subsequent retrenchment and the policies adopted. To argue that all nations have universally become SWPRs, as Jessop would suggest, underplays the variations with regard to the crystallisation of the active ageing agenda at the national level. As the data demonstrate, to argue that all EU15 nations are moving towards an active ageing approach and through this are recommodifying the labour of older individuals would miss a great deal of national divergence in the timing, type and target of policy reforms. In addition, the taxonomy of welfare-to-work approaches presented by Dean (2006) neglects the way nations combine a variety of approaches, even when focusing on one target group.

The recommodification of labour argument too readily assumes nations are adopting similar workfare/ activation-based employment policies, and indeed, that at one point, decommodification was widely available. The data demonstrate that the decommodification policies available in EU15 nations were diverse both in terms of their number and eligibility criteria. At the micro-level, the recommodification of labour argument firstly implies that all individuals had the same capacity for decommodification, and that all are equally subject to policies that focus on labour market participation. Both at the national and individual level, the data demonstrate decommodification and recommodification policies were implemented and experienced differentially.

However, though the recommodification of labour argument needs to be refined with respect to the policy treatment of older individuals, it is clear from the data that EU15 nations have all made some progress towards the goals of active ageing, as outlined by the EU and taken in this thesis as indicative of the decline of decommodification and the ascendancy of recommodification approaches. In addition, as highlighted in the empirical section, these nations had very different policy legacies in terms of decommodification options, which not only provided the parameters for reform, they also dictated the distance nations had to travel towards active ageing approaches. Therefore EU15 nations' diverse policy approaches to those over 50 reflect their different starting

points in terms of the legacy of existing decommodifying policies. The nature and speed of retrenchment and reforms, although largely towards the aims of the active ageing agenda (to retain and reintegrate older workers in the labour market), varied and to some degree can be grouped in accordance with the original decommodification approach adopted by nations at the initial point of the enquiry. As a result, and due to the dynamic nature of policy, nations may continue to converge upon the EU ideal of active ageing and increase the recommodification of older individuals' labour. Though this thesis attempted a methodological approach that captured change, policy has continued to progress beyond 2005 and nations could now embody a more unified recommodification approach, or may in the future.

The second contribution to knowledge is to refine the reserve army of labour argument. At the individual level, active ageing policies have distinguished between different groups within the older age cohort, recommodifying some, whilst others retain the ability to be decommodified. Not all older individuals were able to be decommodified when the labour market did not require their presence, and similarly, in light of the dire warnings regarding demographic ageing and replacement rates, not all are being pulled back into the labour market. Divergence exists between different ages, genders, occupations, work histories and birth cohorts. Thus the notion that *all* older individuals make up the reserve army of labour, pulled into the labour market when there is a labour shortage needs to be evaluated. The political economy of ageing arguments around the importance of policy and labour market experience in shaping the experience of old age have been borne out by the data. As a result, what the data demonstrates is that more nuanced versions of the recommodification and reserve army of labour arguments need to be developed that adopt a more fluid, individual-focused approach. Policy dictates whether ageing should be active or passive, and clearly not all individuals are equally subject to the demands of the market.

The third contribution relates to methodology. This thesis employed a dynamic approach which was revealing in terms of policy change. Instead of contrasting nations' policies at different points in time, the *character* of the reforms has been examined. This

moves beyond establishing that policies have been reformed or retrenched to examine the character of these changes (whether retrenchment took the form of increased age thresholds, penalties for early exit etc), and thus moves beyond policy analysis approaches which take an overly static view. Indeed, empirical work which clusters nations according to their policies at fixed points in time fail to acknowledge the dynamic nature of policies (Meyer and Pfau-Effinger, 2006; Falkingham and Hills, 1995; Teune, 1990).

The second area of contribution in terms of methodology was its micro-level focus on the effects of policy change on different sub-groups within the older age cohort. Model biographies have typically been used to examine the outcomes for individuals in terms of the final benefit amounts (Meyer et al., 2007; Meyer and Pfau-Effinger, 2006; Bradshaw et al, 1993). This thesis employs them in a different way and focused on the varying degree of choice policies offered the sub groups within the older age cohort, and how these changed over time. Choice is key to this element, as the literature on activation policies often polarises employment as either wholly positive or negative. As noted in Section 3.9, a lack of choice with regard to the labour market, either in terms of participation or exit, cannot be viewed as positive. Employment can provide self worth, meaning and financial security yet equally, it can be insecure, poorly paid and dehumanising. By the same virtue, exit from the labour market can provide the opportunity for self-fulfilment and for some can be financially rewarding yet it can also be an extremely negative experience in terms of a loss of income and identity. Thus *choice* is key in relation to the labour market, and as Leisering (2003: 19) notes, individual choice is embedded in structures and institutions and the welfare programmes they create “provide competencies, resources, opportunities, and individual rights that empower individuals outside and inside of the market and the family”. The use of model biographies allowed for the exploration of the degree of choice older individuals had with regard to the labour market, and through the examination of eligibility criteria, it also addressed the way policy constructs the experience of ageing in terms of who is able to become ‘passive’ through decommodification, and who is in need of ‘activating’ through recommodification. In addition, provided an examination of the impact of labour market

history on the experience of ageing, thereby exploring the notion that disadvantage can be carried through into old age.

## **9.2 Limitations and Future Work**

With regard to the practical aspect of this thesis, the choice of 15 nations, five policy areas and a ten year period was very ambitious. The data collection itself was extremely time-consuming, and the subsequent analysis was extremely difficult. The five individual policy areas had to be considered in conjunction to grasp what individual nations' active ageing policy approaches embodied, and these in turn had to be compared which was a complex task. However, the five policy areas reflected the EU's active ageing model in that they included schemes to encourage the reintegration and retention of older individuals into the labour market, and the ten year period was necessary to capture the dynamic nature of policy reform. The 15 nations too were necessary to examine whether the EU agenda was being adopted, and the use to regime theory to provide a smaller selection would have run counter to the explorative nature of this thesis. Indeed, as outlined in Section 4.2.4, these typologies present policies in a static manner.

In terms of the areas not explored by this thesis, it does not address the processes behind the reforms undertaken in EU15 nations, or causation. The thesis concluded that policy legacies affected subsequent reform paths, in line with new institutionalist arguments, but did not explore how institutions and existing policies constrained these changes. Indeed, it also did not address the power relations between the various actors involved, and how these relations shaped reform (Korpi, 1983; Korpi and Palme, 2003; Ebbinghaus, 2006). However, this was a deliberate step as before causal chains can be established, *reform and change* must be mapped out; the question as to what has happened must be answered before we can examine why. In adopting this approach, this thesis could be critiqued as overly descriptive yet the inclusion of the character of policy changes as an area of investigation allowed the thesis to explore the impact of policy legacies on subsequent reform paths. The third element, utilising model biographies to address the categorisation of individuals into deserving and undeserving by policy, moves



the research beyond the purely descriptive to examine the criteria upon which more choice is awarded.

This thesis also did not address occupational pensions, including those that were mandatory but not state-provided (as in the cases of the Netherlands and France). These policies present another area of divergence with regard to the model biographies in that differences may be heightened or reduced through non-state provision. As demonstrated by Evandrou and Falkingham (1995), Price (2006) and Ginn and Arber (2006), occupational and private pensions are a particular site of differences along gender lines. Also, whilst the state-provided schemes may appear relatively limited or unretrenched in some nations, perhaps occupational and private pensions provide more or less for scope individuals in terms of decommodification.

With regard to possible avenues for future work, the first possibility would be to address the policy situation in 2010. As aforementioned, nations have adopted active ageing policies in one form or another, yet divergence was still present in 2005; to address the reforms EU15 nations undertake by 2010 will allow me to address whether a more cohesive active ageing approach has been adopted over this time. In addition, nations such as Austria have new policies in place for younger age cohorts, which could merit analysis using the model biographies to address the differential policy treatment and whether this represents a substantial retrenchment.

To summarize, there are three main conclusions to draw from this thesis. First, in line with the literatures on the recommodification and reserve army of labour, EU15 nations have adopted policies that encourage labour market participation whilst retrenching options for decommodification. However, this conclusion should not be overstated: a great deal of divergence, both in the original policy contexts, the reforms and retrenchment as well as the final policy mixes was apparent. Indeed, the data also demonstrate that the five policy areas, when considered in conjunction, often presented a

paradoxical approach to active ageing. As a result, the data allows for a more refined account of these two literatures with specific reference to the older age cohort. Following on from this first conclusion, the data indicates that three main policy approaches to decommodification could be identified in EU15 nations, with particular reform and retrenchment trajectories which are confined within the parameters set by the characteristics (desert-, rights- or labour market-focused) of the options for exit and retirement. The third main conclusion that even within individual EU15 nations there is divergence with regard to the policy treatment of different groups within the older age cohort. The decommodification policies have different foci in that their eligibility criteria preference particular groups over others; in turn then, certain groups have more options vis-à-vis the labour market as these nations began to introduce ALMPs. Thus convergence towards the EU-vision of active ageing and the recommodification of labour is more complex, with nations adopting a variety of different reforms and policy mixes, which in turn focus on different groups within the third age.

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